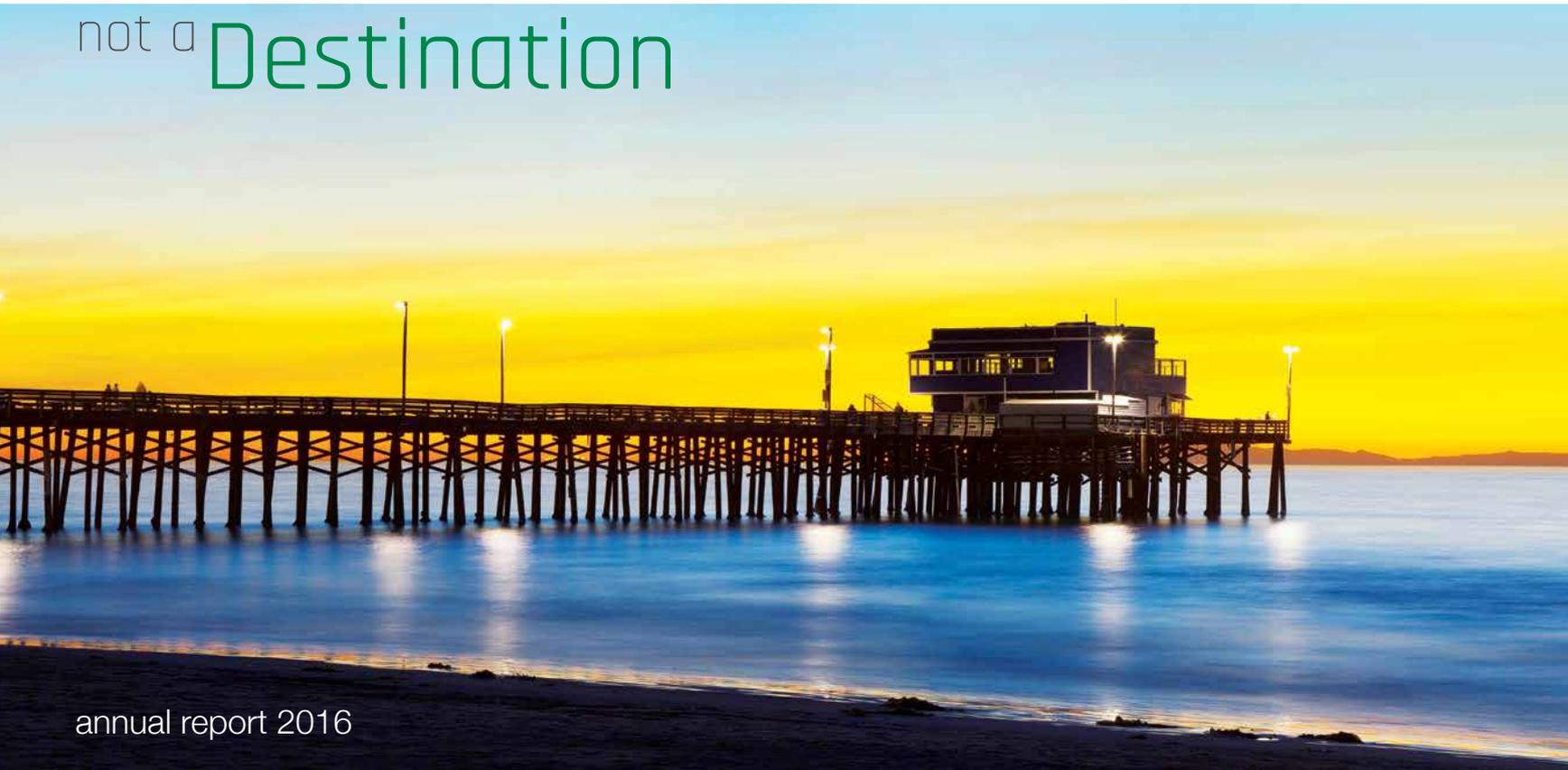




Success is a Journey  
not a Destination



annual report 2016

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



## Success is a Journey not a Destination

At Mehran Sugar we are always looking at new possibilities as well as opportunities with the intention of continual growth. Through this constant movement towards progress, we hope to discover new horizons. We are cognisant of the fact that success is not a destination but a continual journey. This concept lies at the core of our theme for this year's annual report.

This year's annual report is structured in a way that it gives the reader a conceivable view of the Company's future strategic plans and outlines our continual journey with qualitative and quantitative milestones.



## Key Figures

Turnover (Rs.)  
**7,674,145,009**

Profit before tax (Rs.)  
**668,006,756**

Sucrose Recovery  
**11.31%**

Earnings per share (Rs.)  
**16.91**

Sugar Production(M.Tons)  
**106,400**

Dividend declared  
**65%**

Molasses production(M. Tons)  
**38,604**

Market Capitalization (Rs.)  
**5,767,225,662**



## Vision

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

## Mission

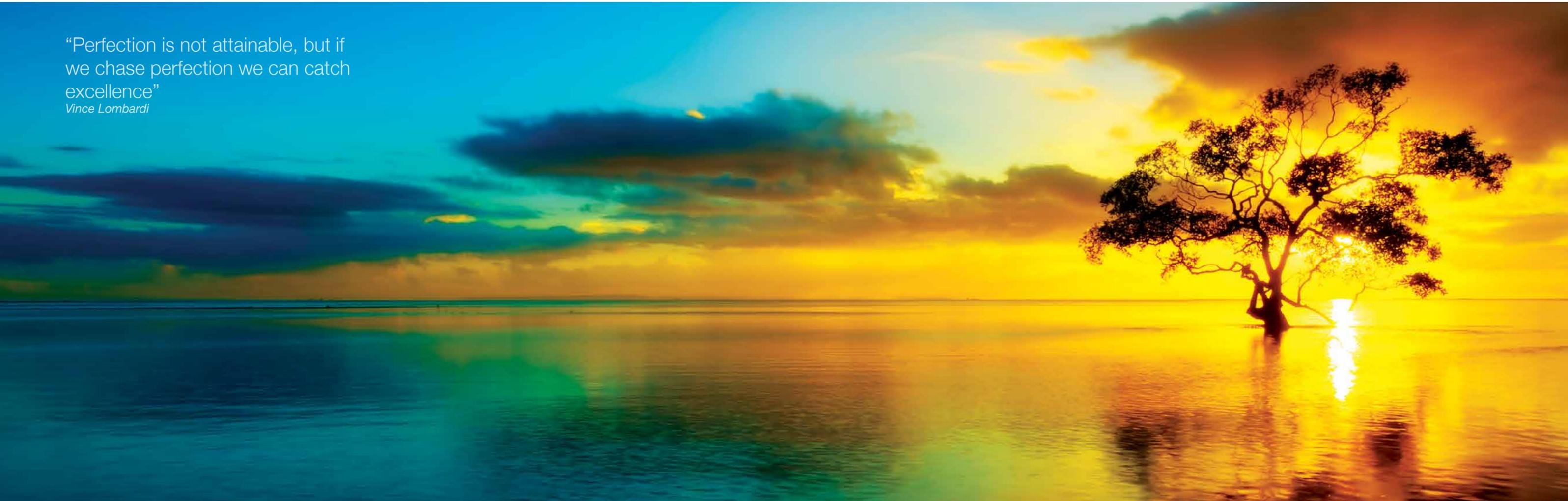
Our Mission remains to ensure we can provide sustainable results and consistent growth to our shareholders. Our objective is to achieve this by utilising sugar and its by-products to add value and grow our business.

### **Basic Purpose:**

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



“Perfection is not attainable, but if  
we chase perfection we can catch  
excellence”  
*Vince Lombardi*



#### **Energy Efficiency & Steam Conservation**

To ensure our Journey towards success, we aim to become one of the most energy efficient sugar mills in Pakistan. In a modern sugar mill energy conservation is the key to success since every ton of steam saved means an additional unit of electricity sold to the national grid. We at Mehran are focused on this so that we can play our part in generating renewable and indigenous electricity and help eliminating the energy shortage of Pakistan.

# Our Core Values



## 1 Maximizing Returns

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



## 3 Empowering Growers

We are committed to facilitate our growers and assist them in whatever way possible within our resources.

## 4 Ensuring Safety

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



## 5 Cleaner Environment

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

## 2 Binding Associations

We maintain a long-term working relationship with relevant stakeholders as they are part and parcel of our quest in enhancing our business opportunities.



## 6 Providing Education

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





## Important Events In 2016

Our profit after tax is highest this year whereby we are proud to cross the half a billion figure with a final figure of **Rs. 542 million** beating the previous highest of **Rs. 430 million** in 2015.

We paid the highest dividend of **Rs. 184.18** million this year, which is 5% higher than last year.

Supply of electricity to National Grid through **HESCO** continued during the season. We supplied **5.16 million kwh** electricity to the grid this year.

In our efforts to be a sustainable energy producer and consumer we installed a Solar PV facility for **118 KW**. This has allowed us to reduce our off-season electricity consumption by 18%. Our solar facility has the potential to generate an estimated **180,000 Kwh of renewable power annually**.

Our Board approved investment in a joint venture project of **“Baking and confectionery”** having **24%** interest in the project. A new company by the name Uni-Food Industries Limited has been incorporated for this. The estimated investment in the new venture would be **Rs. 200 million**. Total estimated project cost would be **Rs. 1.4 Billion**.

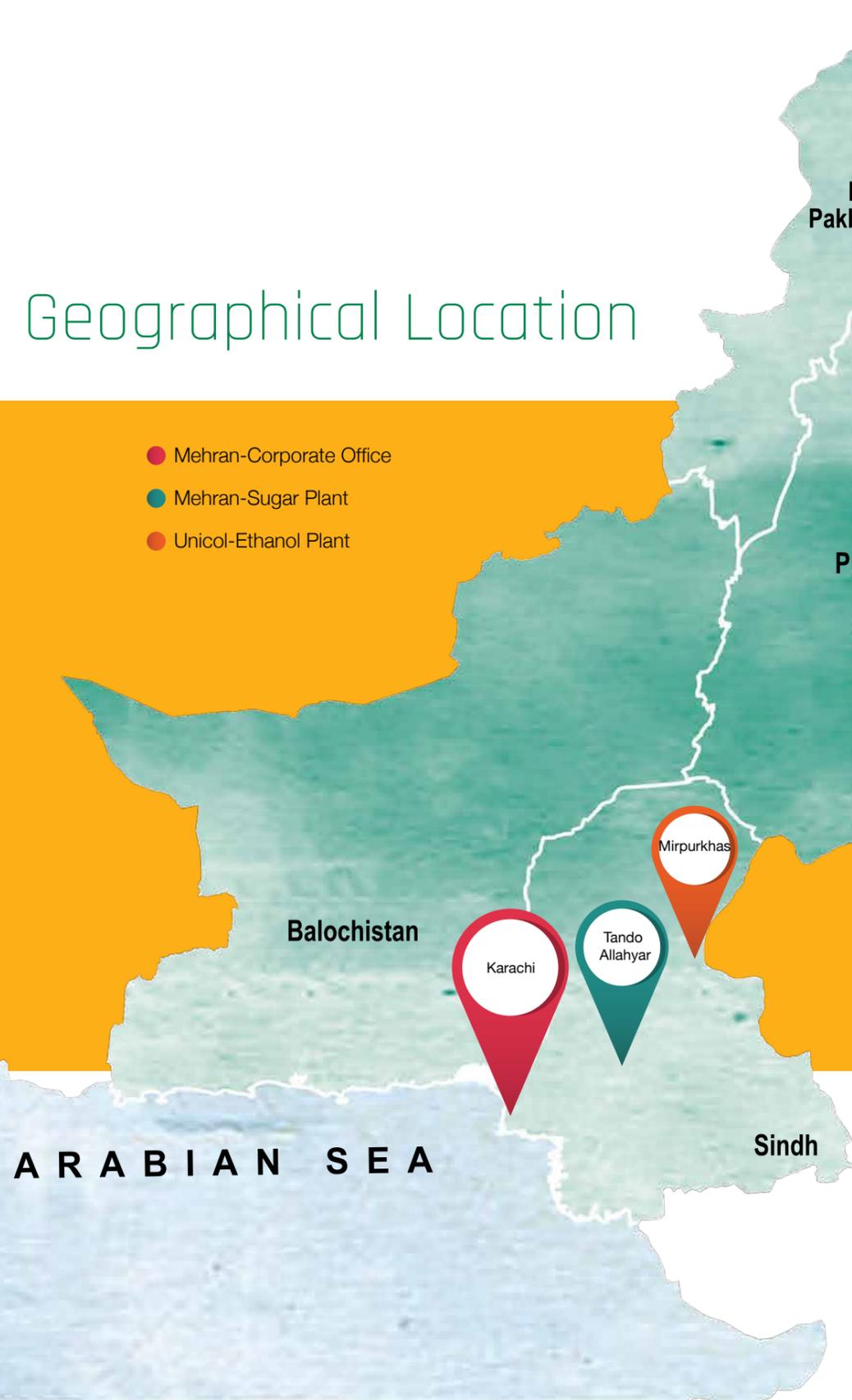
The Board also approved investment in a project of **“Bagasse based cogeneration Power”** having **100%** share in the project. A new company by the name Mehran Energy Limited has been incorporated for this. The estimated investment in the new venture is **Rs. 700 million**. Total estimated project cost would be **Rs. 3.0 Billion**.

After reducing our quantum of discharge water substantially We this year initiated to install a world class **“Effluent Treatment Plant”**, which will make us a 100% compliant company to the province's **“environmental standards”**.

# Geographical Location

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



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## OUR HISTORY

- 1930** — Mehran has a long, rich heritage with Haji Hasham and his son Usman's vision to set up a sugar factory. Haji Hasham started his business career by trading in commodities in the 1930's in the Indo-Pak Subcontinent.
- 1965** — In 1965, Mehran Sugar Mills Limited (MSML) was incorporated as a public limited company with an annual capacity of 1,500 TCD. MSML procured a modern sugar plant from Mitsubishi Japan; set-up the factory in Tando Allahyar which was very conducive for plantation of sugar cane. Total initial investment was USD 10 Million. In 1968, shares of the Company were listed on the Karachi Stock Exchange and in parallel the Plant commenced its trial production.
- 1978** — In 1978, through steady re-engineering Mehran Sugar increased its crushing capacity to 3,500 TCD. Within a span of 18 years from the date of incorporation Mehran Sugar was recognized by the Karachi Stock Exchange as one of the Top 25 Companies in the year 1983 and yet again in the year 1986.
- 1994** — Second parallel milling unit of Mehran Sugar started commercial production in the year 1994 resultantly the crushing capacity was enhanced to 7,000 TCD. In 1998, the Company was awarded ISO-9002 QMS Certification.
- 2001** — Continuing our progress, in 2001 Mehran Sugar achieved a milestone of 1.0 Billion Turnover and in next five years the Turnover showed a growth of 100% and reached to 2.0 Billion milestone.
- 2003** — In the year 2003, Mehran Sugar invested in a JV ethanol company, Unicol Limited. Unicol Limited commenced its commercial production in the year 2007.
- 2010** — By 2010, MSML crossed 4.0 Billion Turnover milestone and in the year 2013 Mehran Sugar first time ever crossed sucrose recovery of 11 percent and production of 100,00 M. Tons of sugar.

- 2007** — At different intervals from 2007 to 2013, Mehran Sugar continually spent on BMR and operational efficiencies resultantly the crushing capacity increased from 7,000 to 10,000 TCD.
  - 2014** — Year 2014 was an extension of our success and Company accomplished many landmarks such as recorded highest sugar production of 123,210 M. Tons; Turnover crossed 6.0 Billion and UniCol Limited doubled its ethanol production to 200,000 liters per day.
  - 2015** — In year 2015 our growth trend continued as Mehran Sugar recorded highest sucrose recovery of 11.42 percent which was the highest achieved in the country; in addition Company crossed half a billion profit before tax, started supplying electricity to the National Grid and paid its highest dividend of 176 Million. Further, through investment in BMR crushing capacity of Mehran Sugar reached at level of 11,000 TCD.
- For better market penetration, Mehran Sugar launched three new variants of retail sugar moist, icing, caster in consumer packs under the umbrella of our brown sugar brand "Sugarie".
- Re-diversified ourselves by entering in renewable energy sector and finalized plans to set up a new SPV named UniEnergy which is in process of setting up a 50 MW Wind Power Project.
- Going ahead, Mehran Sugar will remain focused on our core operations through our business values and creating value addition by diversification policy which is evident from our future strategic plans adequately covered in this annual report.



# Key Achievements

1978

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

1983

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

1986

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

1998

The Company is awarded ISO-9002 - QMS Certification.

2001

Sales crossed Rs. 1.0 Billion.

2006

The Company crosses the Rs. 2.0 Billion sales milestone.

2007

The joint venture distillery, Unicol Limited commences commercial production.

2010

The Company crosses the Rs. 4.0 Billion sales milestone.

2013

Company first time ever crossed sucrose recovery of 11 percent. The Company crossed the 100,000 M. tons milestone production for the first time.

2014

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

2015

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

2016

Record highest Sales milestone of more than Rs. 7 billion in the history of the company.  
Company crossed Rs. 650 million profit before tax.  
Company paid its highest dividend of Rs. 184 million.



“The journey of a thousand  
miles begins with one step”  
*Lao Tzu*

#### **Our quest towards renewable, sustainable and carbon free energy**

We at Mehran want to be part of the renewable energy revolution which has made this form of electricity the fastest growing energy production source globally for all new power installations.

To harness electricity from nature's reserves such as wind and solar at commercially viable rates is an extremely new phenomenon. We have dwelled into both. At our mill we have installed a 118 KW Solar PV facility with the objective to reduce our off season electric load and eventually be self-sustainable with the aim to produce all our power from indigenous sources.

# Company Information

## Audit Committee

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

## CFO and Company Secretary

Mr. Muhammad Hanif Aziz  
FCMA, FCIS

## Auditors

EY Ford Rhodes  
Chartered Accountants

## Cost Auditors

Haroon Zakaria & Company  
Chartered Accountants

## Legal Advisor

Sayeed & Sayeed  
Advocate & Legal Consultants

KMS Law Associates  
Advocates & Corporate Consultants

## Share Registrar

C&K Management Associates (Pvt.) Ltd.

## Bankers

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

## Registered Office

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

## Mills

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



# Swot Analysis

## S

strengths

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

- Mehran's goodwill in the region for payment and commitment allows it to procure cane competitively. The Company is thus able to get a preference in terms of quality, quantity and pricing.
- Mehran has a crushing capacity which is 50% larger than the national average of Pakistan sugar mills which allows it to produce sugar at a lower cost per ton due to better absorption of overheads.
- Mehran's investment in Unicol Limited has diversified its income base and allowed it to add value to its by product, molasses. Unicol has recently doubled its ethanol capacity to 200,000 LPD, besides establishing a CO<sub>2</sub> plant which uses raw carbon dioxide, a by-product, which was being flared in the air earlier. This investment started paying dividends from this year which shall become a recurring source of revenue for Mehran in the future.
- Mehran also manages an equity portfolio. The market value of the portfolio has now exceeded Rs. 1 billion. Dividends and capital gains from this portfolio allow a continual income stream which further strengthens the balance sheet.
- Mehran's strength lies in its policy to grow in a conservative yet sustainable manner. This has allowed it to establish a strong balance Sheet which is not heavily leveraged, hence allowing the Company to explore other business avenues to maximise Shareholder return.

## W

weakness

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

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

# Swot Analysis

O

opportunities

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

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

T

threats

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

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



“Hope is like the sun, which, as  
we journey toward it, casts the  
shadow of our burden behind us”  
*Samuel Smiles*

#### **Baggasse Based Indigenous Power**

One of the main objectives of a modern sugar mill is to use its excess steam to produce power. We feel it's important for us to partake in this journey of becoming a full fledged power producing company from our own indigenous fuel, Baggasse. Considering the potential we are planning to set up a 26.5 MW Cogeneration Power Project. The high efficiency cogeneration Power Plant not only uses the available bagasse efficiently but also produces power for exporting to the national grid.

Key benefits of the project includes optimum resource utilization, addition of a sustainable source of power in our country's energy mix; reduction in oil imports for Pakistan, socio economic benefits to the rural population through job creation and to our farmers in the form of better prices of their produce.

# Code of Conduct and Ethical Values

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

These principles highlight our responsibility to:

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

## CONFIDENTIALITY



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

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

## HEALTH AND SAFETY



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

## THE ENVIRONMENT



We recognize our environmental responsibilities and our contribution to sustainable development. Our environment policy and its management processes deal not only with the environmental issues connected to our manufacturing processes and facilities, but also with

Protecting the ecosystems from which we derive our raw materials, management of our supply chain, and distributing, selling and consumption of our products.

## WORK ATMOSPHERE



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



# Business Strategy & Goals

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

# Management Committees

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

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.

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



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

# Board of Directors



**Muhammad Kasim Hasham**  
Chairman

Bachelor's Degree from Karachi University.



**Muhammad Ebrahim Hasham**  
Chief Executive Officer

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



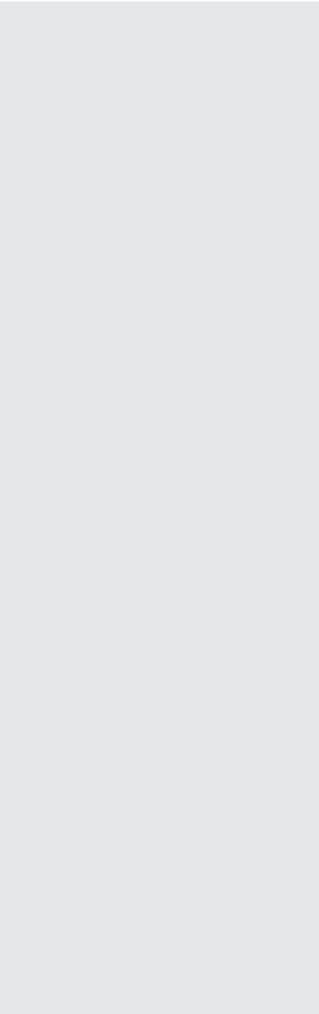
**Muhammad Hussain Hasham**  
Director (Non-Executive)

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



**Ahmed Ebrahim Hasham**  
Managing Director

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



**Khurram Kasim**  
Director (Non-Executive)

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



**Muhammad Bashir**  
Director (Independent)

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



**Dr. Amjad Waheed**  
Director (Independent)

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



**Muhammad Iqbal**  
Director (Non-Executive)

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



“Pursuit of excellence is the  
desire for divine fulfilment.”  
*Lailah Gifty Akita*

#### **Investment in Food and Bakery products**

In our continual journey to grow as a company and improve returns for our shareholder we feel it is important to tap into the huge potential of the food sector.

35% of our population falls under the age group of 15-25 years, considering this demography of the population and also the growing potential in consumer food business, we have decided to invest in a confectionery and baking business. This will be a paradigm shift for us from the commodity business to the consumer food business. To partake in this we have decided to invest up to 24% in a new food company called UniFoods Industries Limited.

# Investing in Mehran Sugar

## Long-term shareholder return

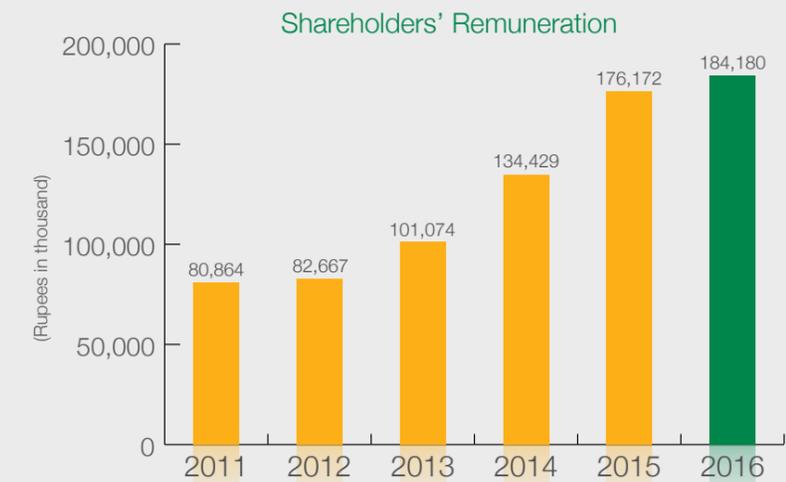
A shareholder, who on October 1, 2008 invested Rs. 50,000 and acquired 1,863 shares of Mehran Sugar Mills Ltd. at a price of Rs. 26.84 per share, and if all the dividends received were re-invested, would have Mehran shares worth Rs. 1,568,416 on September 30, 2016 representing a cumulative gain of 3,037%. The average annual return of the Mehran share over this period was 69% versus the average annual return of the KSE 100 index was 21.18%.



## Share performance 2016



Mehran Sugar Mills Limited assigned Rs. 184.18 millions to Dividends in 2015-16, which is 5% higher than 2014-15



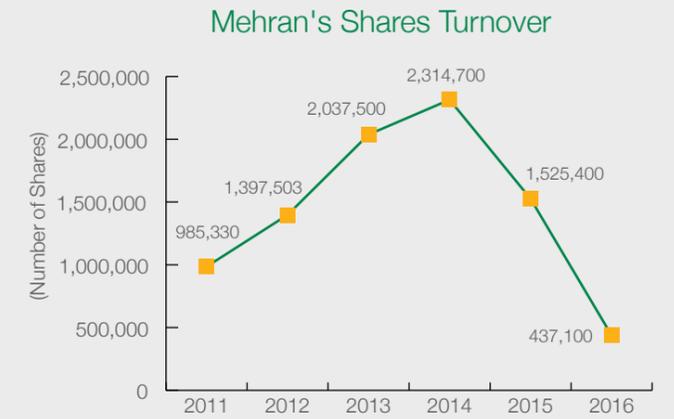
# Investor Relations

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

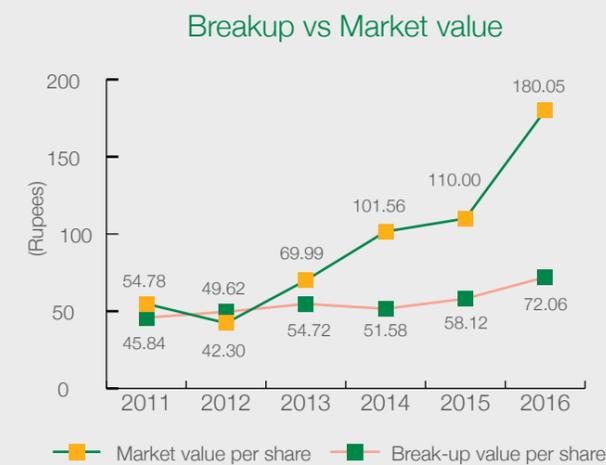
Contact Person: Mr. Muhammad Zakir

Date of Annual General meeting: 31/01/2017

Date of Board of Directors meeting (Tentative)	1st Qtr 26/01/2017	Half Year 25/05/2017	3rd Qtr 27/07/2017	Annual 21/12/2017	2016	2015	2014	2013	2012	2011
Number of Shares (Issued / Paid-up)	32,031,245	32,031,245	32,031,245	25,321,143	20,926,565	17,294,682				
Earning per share	16.91	13.43	8.40	15.70	13.02	18.67				
Break-up value per share	72.54	58.12	51.58	54.72	49.62	45.84				
Market Capitalization	5,767,225,662	3,523,436,950	3,253,093,242	1,772,226,799	885,193,700	947,402,680				
Market value of share on 30 <sup>th</sup> September	180.05	110.00	101.56	69.99	42.30	54.78				
P/E Ratio	10.64	8.19	12.09	4.46	3.25	2.93				
Cash Dividend %	65	60	26	25	25	35				
Bonus Shares %	-	-	10	25	20	20				
Number of shares Traded	437,100	1,525,400	2,314,700	2,037,500	1,397,503	985,330				
Highest price during the year	210.00	143.32	131.99	75.40	56.99	68.49				
Lowest price during the year	108.00	79.01	64.50	41.26	38.00	50.10				



Mehran's Shareholders Equity has increased from Rs. 793 million in 2011 to Rs. 2,323 million in 2016, thus representing an increase of 193% in six years



# Management Team

**MR. MOHAMMED EBRAHIM HASHAM** - Joined Mehran in 1973  
Chief Executive Officer

M.A. (Management)  
Chapman University, California

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



**MR. SYED EHTESHAM-UD-DIN** - Joined Mehran in 2004  
Director Cane/Development

Bachelor of Arts

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



**MR. AHMED EBRAHIM HASHAM** - Joined Mehran in 2000  
Managing Director

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

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



**MR. UBAID-UR-REHMAN** - Joined Mehran in 2012  
GM Technical

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

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



**MR. MUHAMMAD HANIF AZIZ** - Joined Mehran in 2004  
CFO & Company Secretary

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

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



**MR. SANAULLAH** - Joined Mehran in 2011  
GM Production

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

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



**MR. IKHLAS AHMED KHAN** - Joined Mehran in 2007  
Resident Director

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

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



**MR. RASHID ALI BALOCH** - Joined Mehran in 2007  
GM Human Resource & Administration

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

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





“Self-discovery is a journey of  
questioning yourself.”  
*Archibald Marwizi*

#### **Wind Power as a future growth opportunity**

In our journey to search for Sustainable investments which can give us steady returns our board has approved an investment of up to 20% in an associated company UniEnergy Limited which is in the process of setting up a 50 MW Wind Farm in the Jhampir Wind corridor of Sind.

We feel Pakistan has a huge wind power generation potential of up to 50,000 MW. With commercial viability making wind as cost efficient a power producer as other sources of power we feel this company and Pakistan itself has huge potential in this form of renewable power generation.

# Horizontal & Vertical Analysis Profit & Loss Account

HORIZONTAL ANALYSIS	2016		2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Turnover	7,113.23	63.10	4,361.36	(32.88)	6,498.22	12.09	5,797.47	39.69	4,150.11	(4.71)	4,355.04	13.37
Cost of sales	(6,370.35)	73.04	(3,681.45)	(37.25)	(5,866.92)	12.49	(5,215.46)	38.27	(3,771.97)	(0.04)	(3,773.64)	12.09
<b>Gross Profit</b>	<b>742.88</b>	<b>9.26</b>	679.91	7.70	<b>631.30</b>	<b>8.47</b>	<b>582.01</b>	<b>53.92</b>	<b>378.14</b>	<b>(34.96)</b>	<b>581.40</b>	<b>22.46</b>
Distribution costs	(36.89)	(8.90)	(40.49)	(62.12)	(106.90)	13.82	(93.92)	240.60	(27.58)	434.02	(5.16)	(5.12)
Administrative expenses	(197.44)	13.88	(173.38)	12.53	(154.08)	16.46	(132.30)	29.54	(102.13)	(1.17)	(103.33)	26.09
Other operating expenses	(41.21)	48.56	(27.74)	21.20	(22.89)	45.73	(15.70)	12.09	(14.01)	(67.83)	(43.54)	30.46
Other operating income	183.03	13.56	161.18	21.98	132.13	(11.44)	149.20	133.62	63.87	(20.43)	80.26	105.39
Finance costs	(98.63)	(32.71)	(146.57)	(29.87)	(209.00)	11.86	(186.84)	60.63	(116.32)	(13.04)	(133.76)	81.24
Share of Profit from an associates	116.26	23.72	93.97	77.36	52.98	(58.80)	128.58	(25.10)	171.67	322.40	40.64	2,098.94
Profit before tax	668.01	22.15	546.88	69.03	323.54	(24.94)	431.02	21.88	353.64	(15.09)	416.50	29.70
Taxation	(126.20)	8.01	(116.84)	114.64	(54.44)	62.39	(33.52)	(58.65)	(81.08)	(13.41)	(93.64)	18.32
<b>Profit after taxation</b>	<b>541.81</b>	<b>25.99</b>	430.03	59.80	<b>269.11</b>	<b>(32.30)</b>	<b>397.50</b>	<b>45.84</b>	<b>272.56</b>	<b>(15.58)</b>	<b>322.86</b>	<b>33.42</b>

VERTICAL ANALYSIS	2016		2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Turnover	7,113.23	100.00	4,361.36	100.00	6,498.22	100.00	5,797.47	100.00	4,150.11	100.00	4,355.04	100.00
Cost of sales	(6,370.35)	(89.56)	(3,681.45)	(84.41)	(5,866.92)	(90.29)	(5,215.46)	(89.96)	(3,771.97)	(90.89)	(3,773.64)	(86.65)
<b>Gross Profit</b>	<b>742.88</b>	<b>10.44</b>	679.91	15.59	<b>631.30</b>	<b>9.72</b>	<b>582.01</b>	<b>10.04</b>	<b>378.14</b>	<b>9.11</b>	<b>581.40</b>	<b>13.35</b>
Distribution costs	(36.89)	(0.52)	(40.49)	(0.93)	(106.90)	(1.65)	(93.92)	(1.62)	(27.58)	(0.66)	(5.16)	(0.12)
Administrative expenses	(197.44)	(2.78)	(173.38)	(3.98)	(154.08)	(2.37)	(132.30)	(2.28)	(102.13)	(2.46)	(103.33)	(2.37)
Other operating expenses	(41.21)	(0.58)	(27.74)	(0.64)	(22.89)	(0.35)	(15.70)	(0.27)	(14.01)	(0.34)	(43.54)	(1.00)
Other operating income	183.03	2.57	161.18	3.70	132.13	2.03	149.20	2.57	63.87	1.54	80.26	1.84
Finance costs	(98.63)	(1.39)	(146.57)	(3.36)	(209.00)	(3.22)	(186.84)	(3.22)	(116.32)	(2.80)	(133.76)	(3.07)
Share of Profit from an associates	116.26	1.63	93.97	2.15	52.98	0.82	128.58	2.22	171.67	4.14	40.64	0.93
Profit before tax	668.01	9.39	546.88	12.54	323.54	4.98	431.02	7.43	353.64	8.52	416.50	9.56
Taxation	(126.20)	(1.77)	(116.84)	(2.68)	(54.44)	(0.84)	(33.52)	(0.58)	(81.08)	(1.95)	(93.64)	(2.15)
<b>Profit after taxation</b>	<b>541.81</b>	<b>7.62</b>	430.03	9.86	<b>269.11</b>	<b>4.14</b>	<b>397.50</b>	<b>6.86</b>	<b>272.56</b>	<b>6.57</b>	<b>322.86</b>	<b>7.41</b>

# Horizontal Analysis - Balance Sheet

	2016		2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant and equipment	1,952.92	18.43	1,649.07	4.05	1,584.88	5.01	1,509.20	8.68	1,388.68	27.54	1,088.78	28.40
Long term receivable - unsecured	-	-	-	-	-	-	-	-	-	-	-	-
Long term investment	765.56	17.35	652.36	16.83	558.40	10.48	505.42	34.12	376.83	73.88	216.72	23.08
Long term deposits	0.85	(19.16)	1.06	-	1.06	(62.36)	2.80	(39.59)	4.64	(45.69)	8.55	114.05
	<u>2,719.34</u>	<u>18.10</u>	<u>2,302.49</u>	<u>7.38</u>	<u>2,144.33</u>	<u>6.29</u>	<u>2,017.42</u>	<u>13.97</u>	<u>1,770.15</u>	<u>34.71</u>	<u>1,314.04</u>	<u>27.82</u>
<b>CURRENT ASSETS</b>												
Biological assets	43.85	(10.20)	48.83	(17.13)	58.92	4.67	56.30	(1.97)	57.42	32.57	43.32	224.52
Stores and spare parts	72.25	(24.66)	95.91	54.14	62.22	(7.16)	67.02	(8.43)	73.20	(5.91)	77.80	36.58
Stock-in-trade	412.04	(71.83)	1,462.63	218.01	459.93	(33.19)	688.43	(37.15)	1,095.30	(24.91)	1,458.57	474.61
Trade debts - unsecured	10.56	(74.92)	42.10	(1.81)	42.87	330.27	9.96	(86.38)	73.17	1,462.43	4.68	(94.83)
Loans and advances - unsecured	108.22	205.89	35.38	3.02	34.34	(35.64)	53.35	59.07	33.54	8.09	31.03	(63.27)
Trade deposits and short term prepayments	6.52	(33.60)	9.82	(65.29)	28.29	(25.80)	38.12	87.26	20.36	38.78	14.67	515.83
Other receivables	3.72	(45.61)	6.84	45.49	4.70	42.46	3.30	113.37	1.55	227.32	0.47	(16.14)
Short term investments	1,105.80	52.44	725.42	48.68	487.90	66.80	292.50	43.11	204.40	25.41	162.99	78.17
Advance Income Tax	-	(100.00)	9.97	(82.69)	57.59	(31.04)	83.51	30.97	63.76	100.00	-	-
Cash and bank balances	34.44	(24.40)	45.55	37.24	33.19	442.85	6.11	(95.78)	144.77	1,112.14	11.94	(89.50)
	<u>1,797.40</u>	<u>(27.60)</u>	<u>2,482.45</u>	<u>95.48</u>	<u>1,269.95</u>	<u>(2.21)</u>	<u>1,298.61</u>	<u>(26.53)</u>	<u>1,767.46</u>	<u>(2.11)</u>	<u>1,805.47</u>	<u>155.24</u>
<b>TOTAL ASSETS</b>	<u>4,516.74</u>	<u>(5.61)</u>	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>	<u>3,316.04</u>	<u>(6.26)</u>	<u>3,537.62</u>	<u>13.40</u>	<u>3,119.51</u>	<u>79.76</u>
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Issued, subscribed and paid-up capital	320.31	-	320.31	-	320.31	26.50	253.21	21.00	209.27	21.00	172.95	21.00
Reserves	2,003.10	29.95	1,541.45	15.73	1,331.94	17.63	1,132.34	36.58	829.04	33.74	619.89	63.35
	<u>2,323.42</u>	<u>24.80</u>	<u>1,861.77</u>	<u>12.68</u>	<u>1,652.25</u>	<u>19.25</u>	<u>1,385.55</u>	<u>33.44</u>	<u>1,038.30</u>	<u>30.96</u>	<u>792.84</u>	<u>51.76</u>
<b>NON-CURRENT LIABILITIES</b>												
Long-term financing - secured	304.85	11.57	273.23	(14.17)	318.35	(29.92)	454.24	19.44	380.31	117.32	175.00	(14.11)
Liabilities against assets subject to finance leases	21.21	15.30	18.40	(18.57)	22.59	40.60	16.07	30.98	12.27	(12.74)	14.06	(13.33)
Deferred liabilities	4.65	(50.64)	9.41	17.62	8.00	5.82	7.56	17.48	6.44	13.32	5.68	(1.05)
Deferred taxation	322.64	11.55	289.25	23.28	234.62	(2.46)	240.54	4.17	230.90	46.09	158.05	35.96
Provision for quality premium	119.29	-	119.29	-	119.29	-	119.29	-	119.29	-	119.29	-
Provision for market committee fee	70.33	168.86	26.16	(7.69)	28.34	100.00	-	-	-	-	-	-
	<u>842.97</u>	<u>14.57</u>	<u>735.74</u>	<u>0.62</u>	<u>731.20</u>	<u>(12.71)</u>	<u>837.70</u>	<u>11.81</u>	<u>749.21</u>	<u>58.70</u>	<u>472.09</u>	<u>2.35</u>
<b>CURRENT LIABILITIES</b>												
Trade and other payables	1,113.13	(33.38)	1,670.97	480.14	288.03	(36.77)	455.50	(61.05)	1,169.36	(28.44)	1,634.13	169.42
Accrued mark-up	8.84	(23.28)	11.53	(60.75)	29.36	33.43	22.00	56.49	14.06	46.05	9.63	(10.92)
Short term borrowings - secured	-	(100.00)	190.89	(58.32)	457.97	15.31	397.18	22.05	325.43	100.00	-	(100.00)
Current portion of long term financing	167.72	11.06	151.02	11.13	135.89	7.79	126.07	(14.35)	147.19	14.32	128.75	221.88
Current maturity of liabilities against assets subject to finance lease	15.13	1.77	14.87	(6.67)	15.93	29.83	12.27	72.34	7.12	12.12	6.35	(13.89)
Provision for market committee fee	9.41	(81.00)	49.51	17.26	42.22	(28.63)	59.16	18.31	50.00	16.88	42.78	30.82
Current portion of market committee fee	3.76	100.00	-	-	-	-	-	-	-	-	-	-
Income tax payable	22.20	100.00	-	-	-	-	-	-	-	(100.00)	20.70	39.60
Sales tax / excise duty payable	10.16	(89.70)	98.66	60.59	61.43	198.07	20.61	(44.21)	36.94	201.35	12.26	29.20
	<u>1,350.35</u>	<u>(38.27)</u>	<u>2,187.43</u>	<u>112.20</u>	<u>1,030.84</u>	<u>(5.67)</u>	<u>1,092.79</u>	<u>(37.56)</u>	<u>1,750.10</u>	<u>(5.63)</u>	<u>1,854.59</u>	<u>146.71</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>4,516.74</u>	<u>(5.61)</u>	<u>4,784.94</u>	<u>40.14</u>	<u>3,414.28</u>	<u>2.96</u>	<u>3,316.04</u>	<u>(6.26)</u>	<u>3,537.62</u>	<u>13.40</u>	<u>3,119.51</u>	<u>79.76</u>

# Vertical Analysis - Balance Sheet

	2016		2015		2014		2013		2012		2011	
	Rs.	%										
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant and equipment	1,952.92	43.24	1,649.07	34.46	1,584.88	46.42	1,509.20	45.51	1,388.68	39.25	1,088.78	34.90
Long term receivable - unsecured	-	-	-	-	-	-	-	-	-	-	-	-
Long term investment	765.56	16.95	652.36	13.63	558.40	16.35	505.42	15.24	376.83	10.65	216.72	6.95
Long term deposits	0.85	0.02	1.06	0.02	1.06	0.03	2.80	0.08	4.64	0.13	8.55	0.27
	<u>2,719.34</u>	<u>60.21</u>	<u>2,302.49</u>	<u>48.12</u>	<u>2,144.33</u>	<u>62.80</u>	<u>2,017.42</u>	<u>60.84</u>	<u>1,770.15</u>	<u>50.04</u>	<u>1,314.04</u>	<u>42.12</u>
<b>CURRENT ASSETS</b>												
Biological assets	43.85	0.97	48.83	1.02	58.92	1.73	56.30	1.70	57.42	1.62	43.32	1.39
Stores and spare parts	72.25	1.60	95.91	2.00	62.22	1.82	67.02	2.02	73.20	2.07	77.80	2.49
Stock-in-trade	412.04	9.12	1,462.63	30.57	459.93	13.47	688.43	20.76	1,095.30	30.96	1,458.57	46.76
Trade debts - unsecured	10.56	0.23	42.10	0.88	42.87	1.26	9.96	0.30	73.17	2.07	4.68	0.15
Loans and advances - unsecured	108.22	2.40	35.38	0.74	34.34	1.01	53.35	1.61	33.54	0.95	31.03	0.99
Trade deposits and short term prepayments	6.52	0.14	9.82	0.21	28.29	0.83	38.12	1.15	20.36	0.58	14.67	0.47
Other receivables	3.72	0.08	6.84	0.14	4.70	0.14	3.30	0.10	1.55	0.04	0.47	0.02
Short term investments	1,105.80	24.48	725.42	15.16	487.90	14.29	292.50	8.82	204.40	5.78	162.99	5.22
Advance Income Tax	-	-	9.97	0.21	57.59	1.69	83.51	2.52	63.76	1.80	-	-
Cash and bank balances	34.44	0.76	45.55	0.95	33.19	0.97	6.11	0.18	144.77	4.09	11.94	0.38
	<u>1,797.40</u>	<u>39.79</u>	<u>2,482.45</u>	<u>51.88</u>	<u>1,269.95</u>	<u>37.20</u>	<u>1,298.61</u>	<u>39.16</u>	<u>1,767.46</u>	<u>49.96</u>	<u>1,805.47</u>	<u>57.88</u>
<b>TOTAL ASSETS</b>	<u>4,516.74</u>	<u>100.00</u>	<u>4,784.94</u>	<u>100.00</u>	<u>3,414.28</u>	<u>100.00</u>	<u>3,316.04</u>	<u>100.00</u>	<u>3,537.62</u>	<u>100.00</u>	<u>3,119.51</u>	<u>100.00</u>
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Issued, subscribed and paid-up capital	320.31	7.09	320.31	6.69	320.31	9.38	253.21	7.64	209.27	5.92	172.95	5.54
Reserves	2,003.10	44.35	1,541.45	32.21	1,331.94	39.01	1,132.34	34.15	829.04	23.43	619.89	19.87
	<u>2,323.42</u>	<u>51.44</u>	<u>1,861.77</u>	<u>38.91</u>	<u>1,652.25</u>	<u>48.39</u>	<u>1,385.55</u>	<u>41.78</u>	<u>1,038.30</u>	<u>29.35</u>	<u>792.84</u>	<u>25.42</u>
<b>NON-CURRENT LIABILITIES</b>												
Long-term financing - secured	304.85	6.75	273.23	5.71	318.35	9.32	454.24	13.70	380.31	10.75	175.00	5.61
Liabilities against assets subject to finance leases	21.21	0.47	18.40	0.38	22.59	0.66	16.07	0.48	12.27	0.35	14.06	0.45
Deferred liabilities	4.65	0.10	9.41	0.20	8.00	0.23	7.56	0.23	6.44	0.18	5.68	0.18
Deferred taxation	322.64	7.14	289.25	6.05	234.62	6.87	240.54	7.25	230.90	6.53	158.05	5.07
Provision for quality premium	119.29	2.64	119.29	2.49	119.29	3.49	119.29	3.60	119.29	3.37	119.29	3.82
Provision for market committee fee	70.33	1.56	26.16	0.55	28.34	0.83	-	-	-	-	-	-
	<u>842.97</u>	<u>18.66</u>	<u>735.74</u>	<u>15.38</u>	<u>731.20</u>	<u>21.42</u>	<u>837.70</u>	<u>25.26</u>	<u>749.21</u>	<u>21.18</u>	<u>472.09</u>	<u>15.13</u>
<b>CURRENT LIABILITIES</b>												
Trade and other payables	1,113.13	24.64	1,670.97	34.92	288.03	8.44	455.50	13.74	1,169.36	33.06	1,634.13	52.38
Accrued mark-up	8.84	0.20	11.53	0.24	29.36	0.86	22.00	0.66	14.06	0.40	9.63	0.31
Short term borrowings - secured	-	-	190.89	3.99	457.97	13.41	397.18	11.98	325.43	9.20	-	-
Current portion of long term financing	167.72	3.71	151.02	3.16	15.93	0.47	12.27	0.37	7.12	0.20	6.35	0.20
Current maturity of liabilities against assets subject to finance lease	15.13	0.34	14.87	0.31	135.89	3.98	126.07	3.80	147.19	4.16	128.75	4.13
Provision for market committee fee	9.41	0.21	49.51	1.03	42.22	1.24	59.16	1.78	50.00	1.41	42.78	1.37
Current portion of market committee fee	3.76	0.08	-	-	-	-	-	-	-	-	-	-
Income tax payable	22.20	0.49	-	-	-	-	-	-	-	-	20.70	0.66
Sales tax / excise duty payable	10.16	0.23	98.66	2.06	61.43	1.80	20.61	0.62	36.94	1.04	12.26	0.39
	<u>1,350.35</u>	<u>29.90</u>	<u>2,187.43</u>	<u>45.71</u>	<u>1,030.84</u>	<u>30.19</u>	<u>1,092.79</u>	<u>32.95</u>	<u>1,750.10</u>	<u>49.47</u>	<u>1,854.59</u>	<u>59.45</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>4,516.74</u>	<u>100.00</u>	<u>4,784.94</u>	<u>100.00</u>	<u>3,414.28</u>	<u>100.00</u>	<u>3,316.04</u>	<u>100.00</u>	<u>3,537.62</u>	<u>100.00</u>	<u>3,119.51</u>	<u>100.00</u>

# Our Mills Profile

**Date of Incorporation**  
December 22, 1965

**Date of Commencement of Business**  
March 19, 1966

**Start of Commercial Production**  
January 1969

**Installed Capacity**  
11,500 Tons Cane Crushing Per Day

**Total Land Area**  
127 Acres

**Total Farming Area**  
610 Acres

**Permanent Employees**  
375

**Population of the Staff Colony**  
1110

**No. of Students**  
Daood Memorial School – 535  
MSM Colony  
The Citizens Foundation – 336  
Piyaro Lund  
The Citizens Foundation – 122  
Hurri

**No. of Faculty members**  
Daood Memorial School – 21  
The Citizens Foundation – 22

**No. of Apprentice at Vocational Training Centre**  
20

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

## Facilities at our Mills

- Two Mosques - Factory & Colony.
- Mobile Dispensary along with a qualified MBBS Doctor and trained staff.
- Recreation Centre at officers messes equipped with Indoor Games, TV, Videos and other facilities.
- Cricket Ground, Tennis Court, Park and Rose Garden, School/ College Bus facility.
- Private Electric Generator for Uninterrupted Power Supply.
- Clean Water Supply with UV Filters.
- Transport Facility for City & Adjoining Areas.
- Accommodation for Officers and Company Guests with all facilities.
- 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

Net revenue  
Expenses

Wealth generated

## WEALTH DISTRIBUTED

### To Government

Sales Tax, Income Tax, Road Cess, WWF

### To Employees

Salaries, WPPF, Benefits and Other related cost

### To Providers of capital

Mark-up on borrowed funds  
Shareholders as Dividend/Bonus shares

### Retained with the business

Depreciation  
Retained profit

	2016		2015	
	Rupees	%	Rupees	%
Net revenue	7,674,145,009		4,639,725,518	
Expenses	5,872,265,612		3,245,413,726	
<b>Wealth generated</b>	<b>1,801,879,397</b>	<b>100</b>	<b>1,394,311,792</b>	<b>100</b>
<b>To Government</b>				
Sales Tax, Income Tax, Road Cess, WWF	662,492,118	37	347,800,582	25
<b>To Employees</b>				
Salaries, WPPF, Benefits and Other related cost	338,875,327	19	288,595,036	21
<b>To Providers of capital</b>				
Mark-up on borrowed funds	98,626,401	05	146,566,462	10
Shareholders as Dividend/Bonus shares	208,203,992	11	192,187,313	14
	306,830,393	16	338,753,775	24
<b>Retained with the business</b>				
Depreciation	137,410,827	08	130,145,316	09
Retained profit	356,270,731	20	289,017,083	21
	493,681,558	28	419,162,399	30
<b>Total</b>	<b>1,801,879,397</b>	<b>100</b>	<b>1,394,311,792</b>	<b>100</b>

Retained within the business



Government as taxes



Financial, Dividend and bonus shares



Employees as remuneration



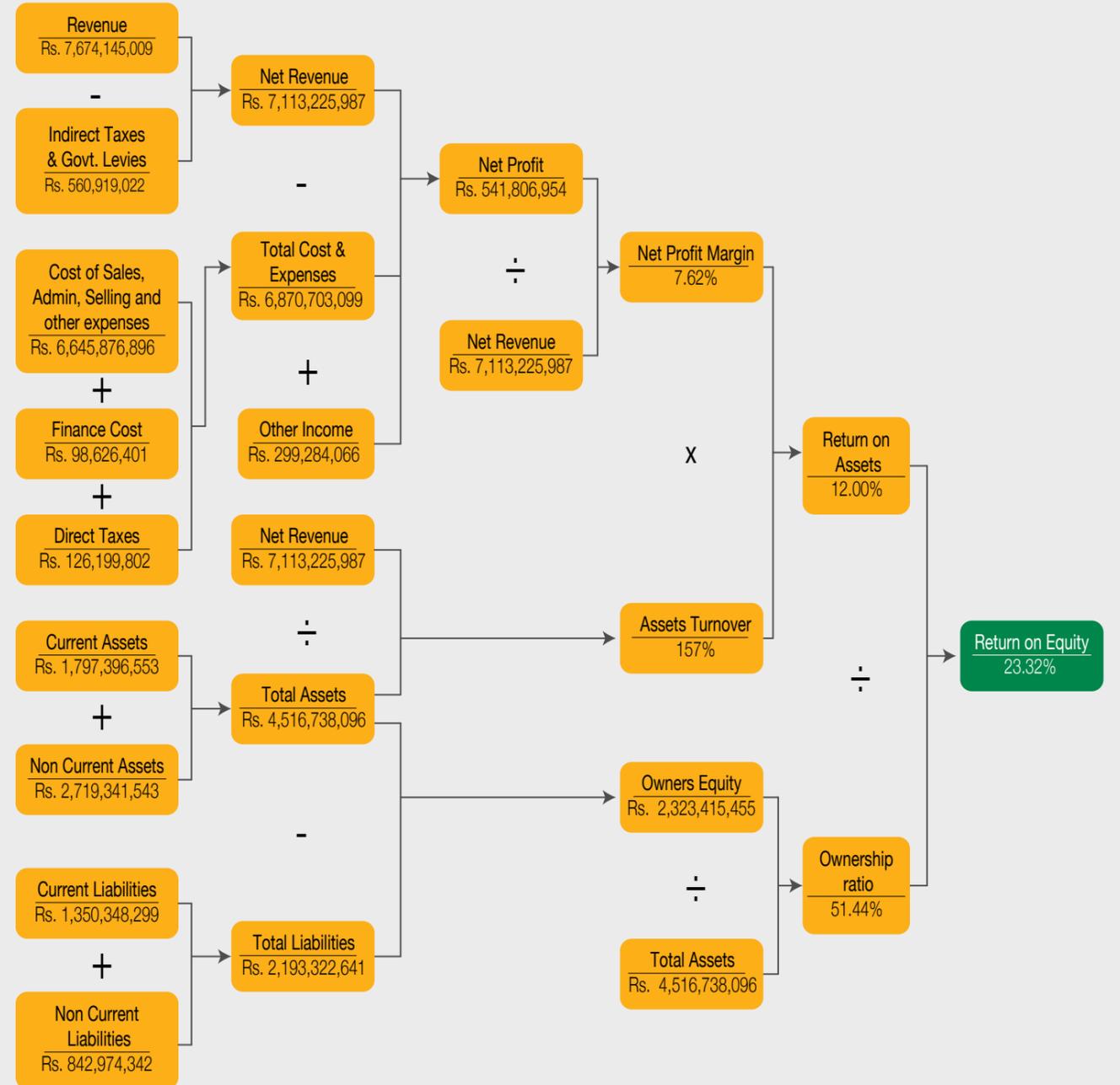
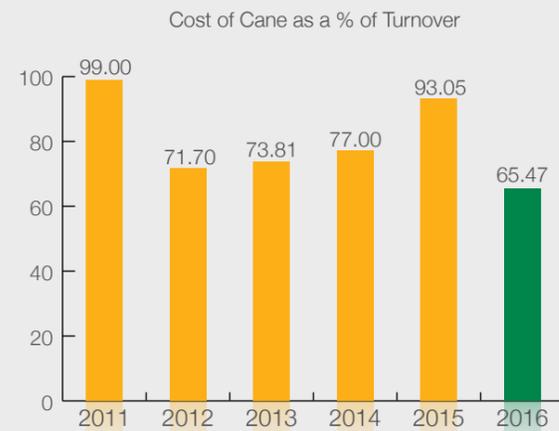
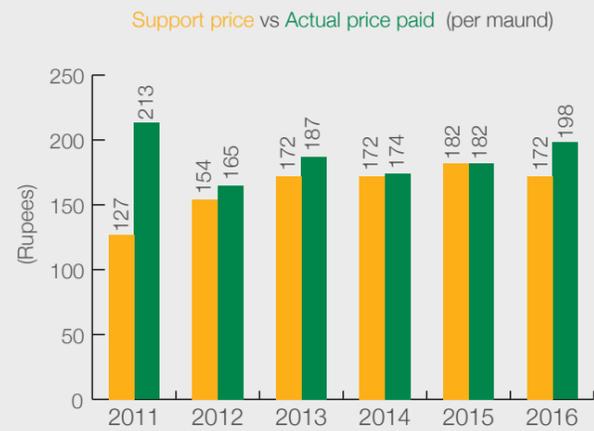
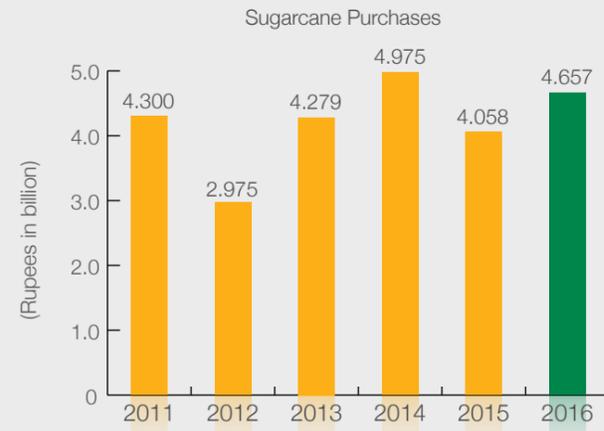
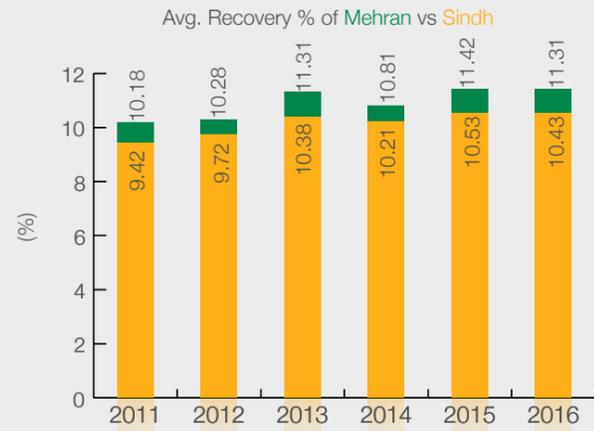
# Six Years' Review at a Glance

	2016	2015	2014	2013	2012	2011
<b>Operational Trends</b>						
Sugarcane crushed - M. Tons	940,626	946,871	1,140,502	915,666	722,120	809,034
Sugar produced - M. Tons	106,400	108,136	123,210	103,580	74,201	84,894
Average sucrose recovery - %	11.31	11.42	10.81	11.31	10.28	10.18
Crushing days	105	108	122	108	104	156
Average crushing per day - M. Tons	8,958	8,767	9,348	8,478	6,943	5,186
<b>Balance Sheet</b>						
		Rupees in million				
Share capital	320.31	320.31	320.31	253.21	209.27	172.95
Reserves	2,003.10	1,541.45	1,331.94	1,132.34	829.04	619.89
Shareholders' equity	2,323.41	1,861.76	1,652.25	1,385.55	1,038.31	792.84
Non current liabilities	842.97	735.74	731.20	837.70	749.21	472.09
Current liabilities	1,350.35	2,187.43	1,030.84	1,092.79	1,750.10	1,854.59
Total Equity & Liabilities	4,516.73	4,784.93	3,414.29	3,316.04	3,537.62	3,119.52
<b>Fixed Assets</b>						
Non current assets	1,952.92	1,649.07	1,584.88	1,509.20	1,388.68	1,088.78
Current assets	766.42	653.42	559.46	508.23	381.48	225.27
Total assets	1,797.39	2,482.44	1,269.95	1,298.61	1,767.46	1,805.47
	4,516.73	4,784.93	3,414.29	3,316.04	3,537.62	3,119.52
<b>Financial Trends</b>						
		Rupees in million				
Turnover	7,113.23	4,361.36	6,498.22	5,797.47	4,150.11	4,355.04
Gross profit	742.88	679.91	631.30	582.01	378.14	581.40
EBITDA	904.04	823.59	653.59	730.05	565.85	625.82
Operating profit	650.37	599.47	479.56	489.28	298.29	509.61
Pre-tax profit	668.01	546.88	323.54	431.02	353.64	416.50
After-tax profit	541.81	430.03	269.11	397.50	272.56	322.86
Capital Expenditure (additions during the year)	216.19	211.41	225.32	367.19	279.55	258.94
<b>Cash Flows</b>						
		Rupees in million				
Operating activities	993.36	854.17	408.20	16.19	19.25	317.29
Investing activities	(634.82)	(396.14)	(262.33)	(230.70)	(389.70)	(396.42)
Financing activities	(369.65)	(445.66)	(118.79)	75.86	503.28	7.32
Cash and Cash equivalents at the end of the year	34.44	45.55	33.19	6.11	144.77	11.94
<b>Profitability Indicators</b>						
Gross profit margin ( % )	10.44	15.59	9.71	10.04	9.11	13.35
Net profit margin ( % )	7.62	9.86	4.14	6.86	6.57	7.41
Return on shareholders' equity ( % )	23.32	23.10	16.29	28.69	26.25	40.72
Return on capital employed ( % )	24.21	26.70	22.34	27.79	26.29	43.50
Return on total assets ( % )	12.00	8.99	7.88	11.99	7.70	10.35
EBITDA margin ( % )	12.71	18.88	10.06	12.59	13.63	14.37

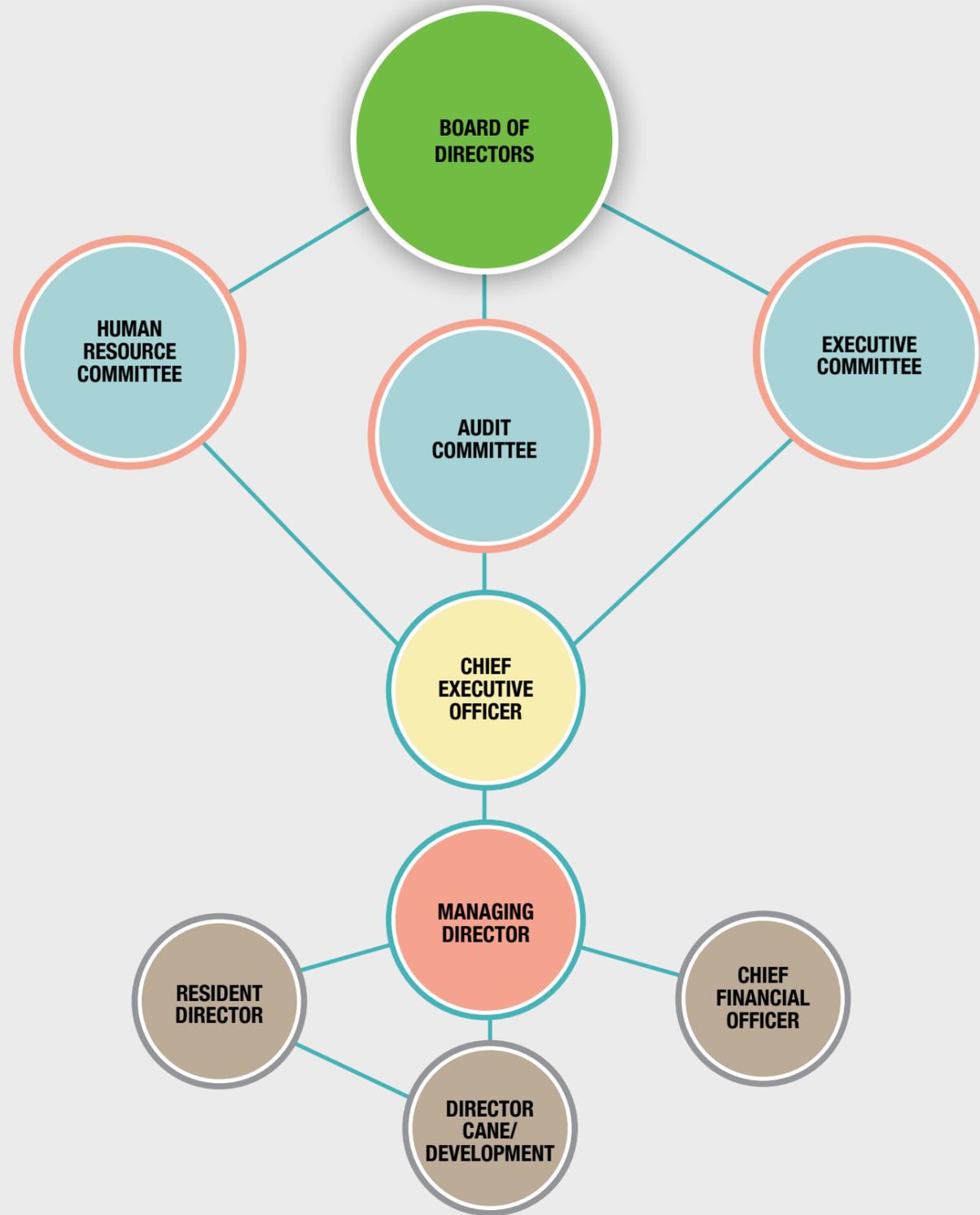
	2016	2015	2014	2013	2012	2011
<b>Capital Efficiency / Operating Performance</b>						
Inventory turnover ratio	6.24	3.54	9.18	5.42	2.79	4.09
Inventory turnover in days	58	103	40	67	131	89
Debtors turnover ratio	16.64	13.08	22.84	8.87	7.49	7.77
Debtors turnover in days	22	28	16	41	49	47
Creditors turnover ratio	17.54	22.07	96.09	80.86	50.10	36.80
Creditors turnover in days	21	17	4	5	7	10
Operating cycle in days	59	114	52	103	173	126
Total assets turnover ratio	1.53	1.06	1.93	1.69	1.25	1.79
Fixed assets turnover ratio	3.95	2.70	4.20	4.00	3.35	4.50
Capital employed turnover ratio	2.25	1.68	2.73	2.61	2.32	3.44
<b>Investment Valuation</b>						
Earnings per share	16.91	13.43	8.40	15.70	13.02	18.67
Break-up value per share	72.54	58.12	51.58	54.72	49.62	45.84
Price earning ratio	10.64	8.19	12.09	4.46	3.25	2.93
Dividend yield (%)	3.61	5.45	2.56	3.57	5.91	5.48
Dividend payout (%)	38.43	44.68	30.95	15.92	19.20	16.07
Market value per share on 30 <sup>th</sup> September	180.05	110.00	101.56	69.99	42.30	54.78
Cash Dividend (%)	65.00	60.00	26.00	25.00	25.00	30.00
Bonus Shares (%)	-	-	10.00	25.00	20.00	20.00
<b>Financial gearing</b>						
Debt Ratio	0.49 : 1	0.61 : 1	0.52 : 1	0.58 : 1	0.71 : 1	0.75 : 1
Debt : Equity Ratio	12 : 88	14 : 86	17 : 83	25 : 75	27 : 73	19 : 81
Interest cover ratio	7.77	4.73	2.55	3.31	4.04	4.11
<b>Liquidity measurement</b>						
Current ratio	1.33 : 1	1.13 : 1	1.23 : 1	1.19 : 1	1.01 : 1	0.97 : 1
Quick ratio/Acid test ratio	1.03 : 1	0.47 : 1	0.79 : 1	0.56 : 1	0.38 : 1	0.19 : 1
<b>Value addition</b>						
		Rupees in million				
Employees as remuneration	338.88	288.60	262.00	211.77	167.79	173.52
Government as taxes	662.49	347.80	322.40	184.19	282.00	298.00
Financial charges to providers of finance	98.63	146.57	209.00	186.84	116.32	133.76
Shareholders as dividend and bonus shares	208.2	192.19	109.49	121.43	89.02	82.54
Retained within the business	493.68	419.16	274.75	397.89	352.28	357.69

# Six Years' Sugarcane Trends Analysis

# Dupont Analysis



# Organogram



# Chairman's Review



Dear Shareholders

On the eve of yet another successful year, I welcome you. As stakeholders in Mehran, you place trust and invest your capital in this company. In doing so, you are facilitating us to create even greater value and we express our sincerest thanks for your trust in us.

Your trust is our driving force, keeping us firmly intact and ensuring we work towards creating sustainable shareholder wealth. While doing so we are cognizant of the fact that we must ensure our business does not compromise our values.

The global economy today is characterized by aggressive competition. It has become challenging for agricultural producers to focus solely on producing primary commodities and still expect to realize consistent incomes. The value chain growth and diversification is therefore key for reducing poverty, increasing income and promoting growth. This will help our products to get good prices in the international markets hence giving better value to producers and greater income to the country.

We at Mehran, are ready to tackle the challenges in a positive manner and endeavor to achieve consistently positive results. Thus we continually look towards growth and in doing so creating value for our shareholders. Our decision to invest in our plants energy efficiency to lay the foundation for a power project is one example. Also our Board of Directors' decision to invest in upcoming industries such

as Wind Power and Bakery and food products through UniEnergy and UniFoods respectively is an exciting initiative.

Our Board is responsible for setting the right tone from the top and ensuring that a robust governance structure is in place to enable the business to succeed and deliver long term sustainable growth. We follow strict measures to ensure we evaluate our directors and the value they add to our Board.

To enforce the importance of good governance and setting the right standard throughout the Group, we have emphasized on Code of Conduct setting out the values and standards we expect in the conduct of business. This covers issues such as health and safety, conduct of employees, diversity, financial controls and business integrity.

Touching on our values we continue to give back to society through the establishment of a 2nd Citizens Foundation School (TCF - Hasham Campus) at a 16 KM distance from our sugar mill. Our commitment to be an environmentally friendly mill is exemplified by us leading the industry by being one of the first mills in the province to set up a state of the art ETP facility at the industrial site.

We look forward to continuing along our successful path together with you.

Mohammad Kasim Hasham  
Chairman



## Sugarie – Sprinkle the Magic

# sugarie®

*The secret behind the magic of sweetness*



Premium Brown Sugar Sales under the Brand name “Sugarie” in selected A class outlets is picking momentum due to Consumer Awareness and Preference, excellent Quality and premium packaging. Different SKUs are available for consumer convenience. The Bakeries which are included in institutional Sale are also using Sugarie as a preferred brand.

Besides Brown Sugar, we also have extended the Brand to its ancillary products like Moist Brown Sugar for baking, Caster and Icing Sugar under the Brand name Sugarie.

The Brand Sugarie has a good future and we expect exponential growth in the coming years.



Life is a journey. When we  
stop, things don't go right.  
*Pope Francis*

#### Environment

We always remain cognisant of the environment we live in. While being a commercially viable entity we need to ensure that we continue investing in our ethical commitment towards protection of the environment and nature. We started this journey by setting up 2 fly ash plants at a cost of Rs. 100 Million to control the fly ash emission. We then took up the challenge to reduce our effluent quantity and were able to reduce it by 100 percent. Now as a final step we are installing a State of the Art Effluent Treatment Plant, at a cost of Rs. 125 Million that will make us 100 percent compliant thus fulfilling all our environmental obligations as a manufacturing facility.

# Directors' Report



## Pakistan National Economy

Financial Year 2016 was another promising year in the recent economic history of the country. Macro Economic indicators continued to improve. CPI inflation declined to a historic low of 2.9%. GDP growth was recorded at 4.7% and foreign exchange reserves touched USD 23.1 billion. Declining oil prices have continued to help in reducing Pakistan's budgetary deficit. Foreign Direct Investment also increased to USD 1.9 billion largely due to the CPEC projects. We feel that the USD 45 Billion CPEC projects which are primarily related to energy and infrastructure are a huge stimulus for the future economic growth of Pakistan.

The low Inflation environment compelled the State Bank of Pakistan to further reduce the Bank Rate to 5.75%. This has been one of the lowest rates on offer and has thus been a catalyst to growth in the economy as well as valuations on the stock market.

Exports declined by 8.8% primarily due to set back to textile industry owing to shortfall in cotton output and power shortages. Foreign remittances mostly from those Pakistanis working abroad totaled USD 19.9 billion and continue to be the major source of foreign exchange inflows in the country and a strong source to stabilise our currency and reserves.

With effect from July 2016, Pakistan has come out of the IMF funding regime in view of improved foreign exchange reserves and prudent policies followed by the government. We hope that with the positive foundation laid Pakistan could continue to see economic

prosperity in the next few decades which is critical to ensure job creation for our young population.

## Global Sugar Scenario

Global surplus or deficit of sugar is dependent mainly on top four sugar producer i.e. Brazil, India, EU, and Thailand. Global sugar production for 2016-17 is expected to increase by 5 million tons to 171 million tons as gains in Brazil and EU offset declines in India and Thailand. Global sugar prices, after falling for over a year, had shown signs of improvement to touch \$ 650/ton however, off late, prices have again come down but are still attractive for exporters. Despite high prices, consumption shows increase. The global sugar deficit narrows down amidst rebuilding of supplies despite strong prices.

Brazil's production is expected to rise 3.1 million tons to 38 million tons on favorable weather and higher diversion of sugarcane to sugar production. EU expects to rebound 1.9 million tons to 16.2 million on higher sugar area. The harvest and production outlook is generally satisfactory but varies from country to country because of different planting trends. USA sugar production is expected to increase by 300,000 tons on account of higher yields. China's production is up by 700,000 tons to 9.5 million tons on higher area under cultivation and yields. Similarly, Australia, Russia and Mexico may also record improved sugar production.

India's production is expected to drop 3.6 million tons due to lower area under cultivation and yield. However, Indian Government has said that there will be enough sugar

Sugar production in Sindh totaled 1.898 million metric tons as compared to 1.822 million metric tons the previous year. Punjab also recorded a decline in production and the final number reached 2.837 million metric tons as compared to 2.967 million metric tons the previous year. Overall national production totalled 5.114 million metric tons as compared to 5.162 million metric tons the previous year.

for domestic requirement. Extreme weather conditions caused by El-Nino have taken their toll in Thailand sugar cane fields affecting their recovery considerably. The Thai sugar production is estimated to decline by 470,000 to 9.3 million.

## Industry Review

The crushing season 2015-2016 started as per the usual practice in November 2015. The notified price in Sind was Rs. 172/-40 Kgs while in Punjab it was Rs. 180/- Kgs. Crushing began smoothly all over the country at the government prescribed rates. Towards the end of the season price of sugar cane increased. But this increase was absorbed by a corresponding increase in sugar price.

The sugarcane crop and subsequent sugar production in Sindh remained flat. Sugar production totaled 1.898

million metric tons as compared to 1.822 million metric tons the previous year. Punjab also recorded a decline in production and the final number reached 2.837 million metric tons as compared to 2.967 million metric tons the previous year. Overall national production totalled 5.114 million metric tons as compared to 5.162 million metric tons the previous year.

Considering the healthy production numbers surplus stock of sugar was estimated at around 750,000 M Tons. Under the circumstances the government allowed an export policy of 500,000 tons. However against this 253,909 tons was actually exported with most of it bound for the Afghanistan market.

The reason for the reduced export was the linkage of the previous year's sugar cane purchase price at Rs.180/

md which was made mandatory. Since Mills in Sind as per notification had payed lower prices they were not eligible to export. This measure kept Sindh sugar mills ineligible to export and the entire quantity was exported by sugar mills located in Punjab and KPK. Lower price in International market at that time were also responsible for lower export volumes.

The average national recovery was 10.07% while that of Punjab was 9.94%, Sindh was 10.53% and KPK was 9.65%.

During the off crop period global sugar prices continued to rise due to shortages in the Indian and Brazilian market. This created a positive sentiment locally as well, allowing prices to increase by 10-15%.



Our 60,000 square feet State-of-the-Art Godown caters 35,000 Tons of Sugar.

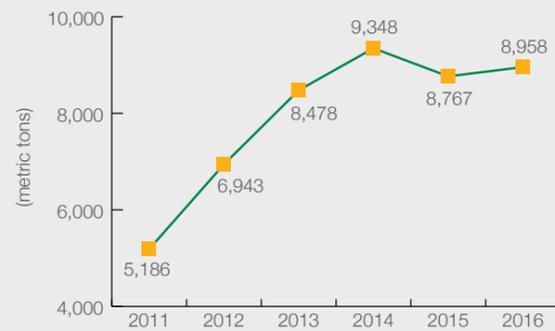
## Operational Highlights

	2015-2016	2014-2015
Season Started	<b>24-11-2015</b>	08-12-2014
Season Ended	<b>07-03-2016</b>	30-03-2015
Crushing Days	<b>105</b>	108
Crushing-M.Tons	<b>940,626</b>	946,871
Capacity Utilization	<b>78%</b>	80%
Sucrose Recovery	<b>11.31%</b>	11.42%
Sugar Production-M.Tons	<b>106,400</b>	108,136
Molasses Production-M.Tons	<b>38,604</b>	39,027
Molasses Recovery	<b>4.06%</b>	4.25%

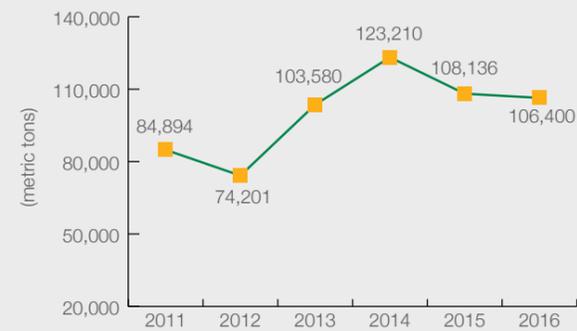
## Financial Highlights

	2015-2016	2014-2015
(Rupees in Thousand except EPS)		
Local Sales	<b>7,674,145</b>	4,025,999
Export Sales	-	613,726
Total Turnover	<b>7,674,145</b>	4,639,725
Sales Tax / F.E.D	<b>560,919</b>	278,366
Gross Profit	<b>742,879</b>	679,907
Gross Profit margin	<b>10.44%</b>	15.59%
Profit before tax	<b>668,007</b>	546,877
Profit before tax margin	<b>9.39%</b>	12.54%
Net Profit after tax	<b>541,807</b>	430,034
Net Profit margin	<b>7.62%</b>	9.86%
Earnings per share	<b>16.91</b>	13.43

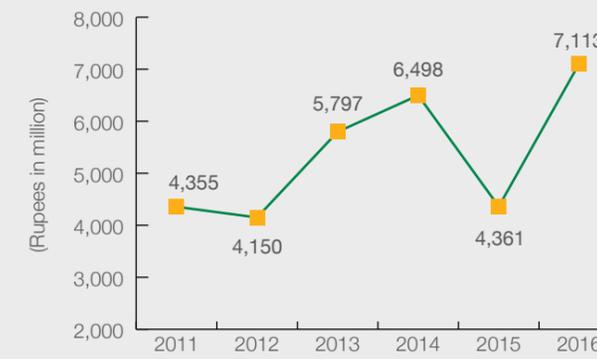
### Average Crushing per day



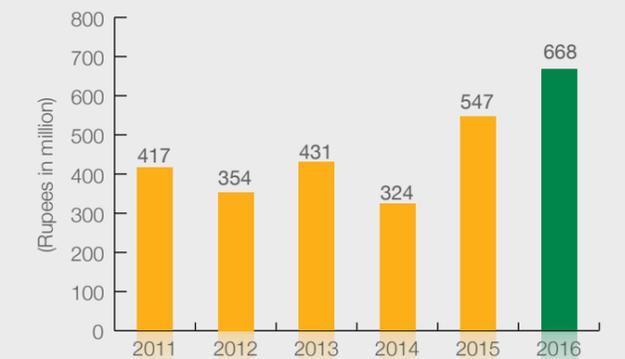
### Sugar Produced



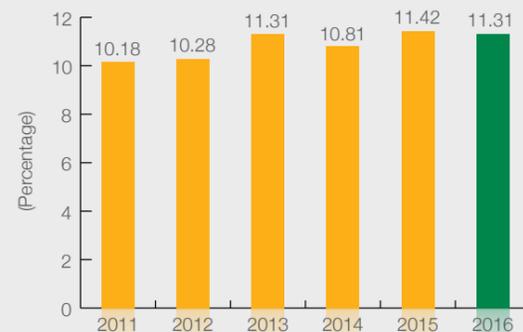
### Turnover



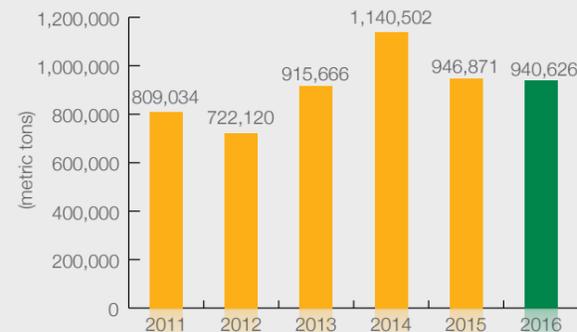
### Pre-tax profit



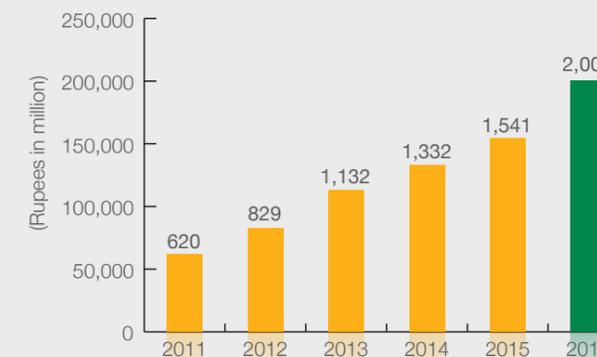
### Sucrose Recovery



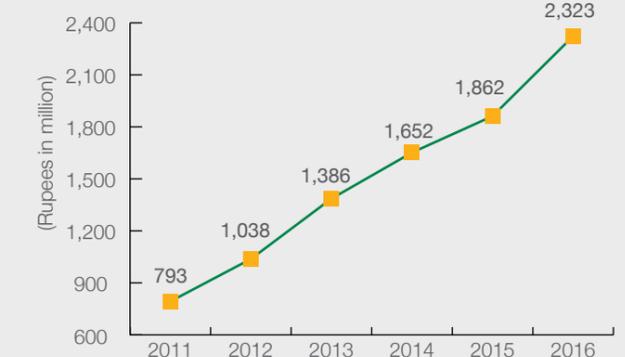
### Cane Crushed



### Reserves



### Shareholders equity



The crushing campaign 2015-16 started with a consistent source of sugarcane supply to most mills at the notified cane price. As the season progressed prices increased due to competition amongst sugar mills. But the rate remained manageable in view of improvement in sugar selling price. Despite competition for purchase of sugarcane, Mehran was a choice buyer for growers in view of its prompt payment system and cane in its vicinity. The company continues to honour its purchase obligations promptly and regularly. Because of this policy our area continues to flourish in sugar cane cultivation and we are able to communicate with our farmer to plant choice varieties.

The recovery trend at 11.31%, though lower than 2014-2015, was amongst highest in the country. The average Sind sucrose recovery at 10.65% was 8% behind Mehran and was higher than the previous year's 10.53%.

On the financial front, by the grace of God we are glad to report that we have achieved the highest ever turnover and profit before tax in the history of the Company. The entire Mehran team is appreciated for achieving this milestone.

Our highest ever profitability was mainly supported by following factors:

- Increase in turnover due to year round dispatches of sugar. This year's turnover of Rs.7.674 Billion is the highest in the history of the Company.
- Profit from Unicol improved to Rs.116.319 million compared to Rs.93.968 million in 2014-2015.
- Improvement in average selling price by 7%.

- Substantial savings in finance cost from Rs.146.566 million to 98.626 million on account of reduction in mark-up rate as well as regular sales of sugar resulting in adequate cash generation.

- Supply of Power to HESCO increased from Rs.20.76 million to Rs.39.47 million.

- Dividend Income from Equity Portfolio improved from Rs.43.81 million to Rs.49.72 million.

Our PBT and PAT amounting to Rs.668 million and Rs.541.81 million respectively are the highest in our corporate history. For the first time, the share price of the Company crossed Rs. 200 per share, which meant that market capitalization surpassed Rs. 6.58 Billion which is another milestone. The highest market capitalisation for the year was recorded at Rs. 6.727 Billion.

Power supply to HESCO remained smooth and similarly payment from HESCO was also realized by June 30, 2016. Coordination with HESCO has been very good and we hope that this power production and distribution remains beneficial for both parties.

During the year, we also successfully installed a 118 KW Solar PV plant at the mills at a cost of Rs.12 million. This measure has helped produce an average of 550 units of electricity daily. Satisfied with its success, management has embarked on adding a further 60 KW capacity. The main objective of the system is to reduce off season electricity cost and have a self reliant power source for the off crop.

Retail Division has shown consistency in performance and growth in sales turnover. Various products of our Sugarie brand have been gaining

confidence of the consumer. Structural changes in the division have brought positive impact by reducing overall distribution cost and yet not compromising on retail penetration. We now have a representative office in Lahore and have started distribution in key outlets of Lahore and Islamabad.

Our current year's BMRE was mainly focused on plant energy efficiency. Our strategy is to continue to invest in energy efficiency and thus become a sustained Baggasse based power producer supplying to the national grid. The way to achieve this is to reduce our plants steam demand which we are planning on doing through plant alterations and plan automation.

This year we have also installed a state of the art Effluent Treatment Plant at an estimated cost of Rs. 125 million. The plant is in its erection and installation phase. We expect its commissioning by the end of January 2017 by which we sincerely hope to be fully compliant with all environmental laws.

This year we have also made substantial progress on improving infrastructure and landscape of the mills. Boundry walls have been rebuilt while pavers have been laid inside the mills at different locations. The new cane yard located across the main road has been fully operational and has helped eliminate traffic congestion on the main road during the season.

#### **Unicol Limited**

Production and sales of ethanol decreased marginally from 57,540 metric tons and 54,591 metric tons to 53,257 metric tons and 52,843 metric tons respectively. However CO2 production and sales showed healthy growth of 33% and 30% respectively. Profit after tax also showed healthy growth from Rs. 174.713 million to Rs. 325.244 million.

Improvement in CO<sub>2</sub> business encouraged sponsors to increase its capacity. This capacity expansion is expected to come on line by March 2017. By that time the Company expects to sign long term supply contracts with multinational Beverage makers. These contracts are expected to significantly improve the profitability of Company.

Table below shows a few highlights of the Company.

Unicol Limited	Units	2015-2016	2014-2015
Turnover	Rs.in '000'	<b>4,133,750</b>	4,333,964
Gross Profit	Rs.in '000'	<b>725,255</b>	655,079
Pretax Profit	Rs.in '000'	<b>335,244</b>	164,713
After Tax Profit	Rs.in '000'	<b>325,244</b>	174,713
Earnings per Share	Rs.	<b>4.70</b>	2.53
Production-Ethanol	M.Tons	<b>53,257</b>	57,540
Production-CO <sub>2</sub>	M.Tons	<b>6,474</b>	4,881

#### **UniEnergy Limited**

Work on UniEnergy Ltd., a joint venture established for setting up a 50 MW wind power plant in Jhimpir, has slowed down due to non-availability of the grid for evacuation of power. In addition the NEPRA determined tariff has also expired and a new one has yet to be announced.

Despite this stalemate, we are hopeful for an early solution and a revival of this project. We are actively pursuing the matter with the relevant departments in the Provincial as well as Federal Government. Grid review panel meetings in December 2016 will determine our future strategy. We will thus have a clear picture in our next quarterly report.

As regards its financial arrangements, management is also exploring foreign funding from international institutions.

#### **UniFoods Limited**

In line with our diversification policy, the Company has entered into a joint venture arrangement to establish a baking and confectionary plant at Hub Industrial Estate. The plant will initially market cakes and cup cakes throughout the country with a national distribution network. A state of the art

plant has been selected and a letter of credit is being established by the new company. Construction and erection work is expected to be completed by September 2017. Plant will hopefully be operational by December 2017. We sincerely pray for the success of this project as it will pave the way for introduction of new products and a future growth opportunity.

#### **Mehran Energy Limited**

Encouraged by favourable policy for establishing power generation plant using renewable sources, we have established a 100% owned subsidiary by the name of Mehran Energy. The Company has been established with the objective of establishing a 26.5 MW Co-Generation power plant. The Company has appointed a technical and financial consultant for the project. Alternate Energy Development Board (AEDB) has issued a formal Letter of Intent in this respect. Grid Inter Connectivity Study has been conducted and submitted to the HESCO for their approval. After its approval, process for issuance of Generation License and financial arrangements will be initiated. We are aiming to apply for the Up Front Tariff which is expiring in May 2017.

#### **Future Outlook**

The start of crushing campaign 2016-17 has been relatively smooth. The Provincial Government in consultation with sugar mills and representatives of growers has announced a Minimum Support Price of Rs.182/40 Kgs. It was also decided that sugar mills are to start crushing by November 15, 2016.

Sugar Mills despite their hesitation at the early start of the season responded positively to the growers and government's call and started their factories accordingly. However, initially sugarcane arrivals have not been encouraging and mills were forced to run at 50 % capacity. The situation is expected to improve in the latter half of December 2016 with mills attaining higher crushing levels.

In line with past few years, Mehran has geared itself to take advantage of availability of sugarcane in its vicinity. Presence of early maturing sugarcane varieties, good capacity and efficiency through process house improvement is expected to contribute toward sustained crushing and sucrose recovery. Payment policy for purchase of sugarcane continues to be in line with past which revolves around a

# Corporate Governance Framework

payment cycle of not more than one week. Hence, we are hopeful to attain our crushing and production targets.

Till 15th December 2016 your mill has crushed 4.56 M. Tons of cane at an average recovery of 9.8%. The overall recovery trend for Mehran seems similar to last year and we hope to end with a similar recovery rate which would be a positive situation.

One of the major investments this year has been towards reducing the steam requirement of our sugar plant. Our challenge this year will be to see how successful we are in achieving this. The eventual result shall be measured by the volume of Baggasse we are able to save as compared to the previous year. Our steam and energy efficiency measures is eventually the foundation we are laying for the 26.5 MW Co-Generation project.

On the marketing front, sugar prices have corrected locally due to influx of new season production which is usually what happens at the start of the crushing season.

Domestic sugar prices will be dictated largely by national production numbers which are expected to be 10% higher than last year. They will also be determined by International prices and the governments export policy.

Slightly worryingly International prices have fallen by USD 100/- Ton in the last quarter. However Pakistan still remains the most competitive source of sugar into the Afghan and Central Asian market. If exports were to thus be allowed we are optimistic that sugar prices shall remain stable for the year.

## 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  
Chief Executive Officer

Karachi: December 21, 2016

## Board of Directors

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

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

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

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

## Statement of Ethics & Business Practices

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

## Audit Committee

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

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

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

## External Audit

The Company wishes to place on record its appreciation for the services rendered by the Company's auditors M/s. EY Ford Rhodes, Chartered Accountants, who completed the audit of financial statements of the Company for the year ended September 30, 2016.

# Corporate Social Responsibility

Responsibility to Stakeholders

## 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 Company, fairly present its state of affairs, the result of its operations, cash flows and changes in equity;
- The Company has maintained proper books of accounts as required under the law;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained;
- 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;
- The summary of key operating and financial data for last six years is annexed;
- The Company has made contribution towards the national exchequer in the form of Federal, Provincial and local taxes and levies; as disclosed in annexed Financial Statements.
- The Company is operating a Provident Fund Scheme for its permanent employees. The value of the fund as at September 30, 2016 was Rs 136.558 million (approx);
- There is also an un-funded gratuity scheme. On the basis of actuarial valuation conducted during 2016, a net liability of Rs. 4.64 million as at September 30, 2016 has been provided;
- The Pattern of Shareholding as at 30th September, 2016 is annexed;
- Chairman of the Company and his spouse purchased 27,000 shares of the Company from the market during the year under review, which was disclosed to the SECP and KSE according to the relevant rules and regulations, None of the other 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.

## 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, 2016 and the Company has not entered into any commitment, which would affect its financial position at the date.

## Pattern of Shareholding

The pattern of shareholding as on September 30, 2016 is included in the annexed shareholders' information.

## Investment in Human Capital

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

Our employee-training program is continually 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 and PICG as well as other training forums. A total of 14 members from the Mehran team spent 3 days in Lahore attending the PSST sugar conference. We also had our cane team attending 4 days seminar in Lahore on sugarcane diseases, its control, seedling and water treatment conducted by Mauritius Sugarcane Research Institute.

Our sugar technology partners from Germany, IPRO also visited our site and discussed future ideas with our team for improvements at Mehran in terms of energy and plant efficiency.

## 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. The entire boundary wall facing the main road has been re-build, in addition pavers have been laid in most parts of the residential colony and the factory area walk ways.

## Investment in employee HSE

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 90 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. We take pride in having a very proactive and coordinated HSE team.

## Contribution towards Education in Rural Pakistan

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

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

## • Daood Memorial School (DMS)

The school is situated within the premises of the mills primarily for our employees and generally for the youth of the surrounding areas. Since its incorporation in 1998-99, the Company is providing full operational, financial and logistic support to the school. By the grace of God, and continuous efforts of the management and the teachers, the school is growing steadily and currently, 535 students are enrolled and 21 faculty members are entrusted to provide quality education. While the number of students increases, we have continued to ensure that there is no compromise on the education standards of the schools. This is benchmarked through teacher training programs as well as results of our students.

## • TCF School – Haji Hasham Campus

In order to broaden the horizon of our education initiative, a school has been developed in collaboration with The Citizen Foundation in Piyaro Lund area, 13 kilometers from our factory. The school was established in 2011 at a cost of Rs. 11.26 Million funded by Mehran Sugar. Currently 336 students are enrolled with 16 faculty members.

## • TCF School - Hurri Campus

MSML has again taken an initiative for broadening the education base by embarking on the development of yet another school at Hurri, 12 kms from our factory. The school is again being developed in collaboration with The Citizens Foundation at a cost of Rs. 16.5 Million, which Mehran Sugar contributed in large interest of the local community. The campus has started its academic session from April 2016. So far 122 students are enrolled with 6 faculty members.

### Vocational training

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

### 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 2015 to September 2016, the number of patients treated are 4,824.

### Farmer support services

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

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

### Customer satisfaction

Mehran Sugar Mills limited is always keen to produce premium quality sugar which qualifies international as well as "PSQCA" standards. Accordingly, the Company is in the process of

establishing the Quality Management System based on the requirements of ISO 9001:2015 standards. For quality assurances management, a dedicated management representation is entrusted to implement and monitor the implementation of relevant policies.

### RESPONSIBILITY TO SOCIETY Power generation

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

Seeking the opportunity to contribute its share to the national grid, Mehran Sugar Mills limited has obtained the power generation license from national power Regulatory Authority (NEPRA)



Infrastructure improvement around Management House and Colony Mosque/Fair Price Shop.

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

### Governance structure

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

### Contribution towards economy

The Company is a noteworthy contributor to the national economy and has contributed to the national

exchequer Rs. 662 million in respects of payments towards Federal excise duty, income tax and other statutory levies. Our associated company UNICOL Limited was also able to export USD 38 million of ethanol in the last financial year.

### RESPONSIBILITY TO ENVIRONMENT

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

### Emission and discharges

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

### Waste Water Treatment

Over the last 3 years we at Mehran have been striving to create an efficient waste water management system. We have recently completed stage three of our water discharge system whereby we have accomplished 90 percent reuse of waste water at the plant. The remaining water is used in our farms adjoining the factory. We have already invested a total of Rs. 17.5 Million on the project and are proud to state that our waste water system was created in house by our capable engineering team. We are presently in the process of erecting a state of the art waste water treatment plant with a world renowned supplier. We are proud to say that this plant will be first of its kind in the entire sugar industry of the country.



Work is being completed on our State-of-the-Art ETP facility.



Night shot of our new Caneyard.

## یونی فوڈز لمیٹڈ

ہماری کاروبار میں تنوع کی پالیسی کے مطابق کمپنی حب انڈسٹریل اسٹیٹ میں ایک بیلنگ اور کنفیکشنری پلانٹ قائم کرنے کے لیے ایک مشترکہ منصوبہ شروع کر رہی ہے۔ کمپنی ابتدائی طور پر ایک نیشنل ڈسٹری بیوشن نیٹ ورک کے ساتھ ملک بھر میں کپ کیک فروخت کرے گی۔ ایک جدید پلانٹ منتخب کیا گیا ہے اور نئی کمپنی کی طرف سے لیٹر آف کریڈٹ کا اجرا کیا جا رہا ہے۔ تعمیر اور تنصیب کا کام ستمبر 2017 تک مکمل ہونے کی توقع ہے۔ امید ہے کہ پلانٹ دسمبر 2017 تک فعال ہو جائے گا۔ ہم اس پروجیکٹ کی کامیابی کے لیے دعا گو ہیں اور یہ کہ منصوبہ نئی مصنوعات کو متعارف کرانے اور مستقبل میں ترقی کے موقع کے لیے راہ ہموار کرے گا۔

## مہران انرجی لمیٹڈ

قابل تجدید ذرائع سے بجلی پیدا کرنے کے لئے حکومت کی حوصلہ افزا پالیسی کو دیکھتے ہوئے ہم نے مہران انرجی کے نام سے ایک 100% ملکیتی ماتحت ادارہ قائم کیا ہے۔ کمپنی 26.5 میگا واٹ بجلی کو پیدا کرنے کے لئے کو جینریشن پاور پلانٹ کی تنصیب کرے گی۔ کمپنی نے منصوبے کے لیے ایک تکنیکی اور مالی مشیر مقرر کیا ہے۔ متبادل توانائی ترقیاتی بورڈ نے اس سلسلے میں اجازت نامہ جاری کر دیا ہے۔ گرڈ انٹر کنیکٹیوٹی کی جائزہ رپورٹ منظوری کے لیے حیسکو کو منظوری کے لئے جمع کرادی گئی ہے۔ اس کی منظوری کے بعد، جنریشن لائسنس اور مالی انتظامات کے اجراء کا عمل شروع کیا جائے گا۔ ہم مئی 2017 میں ختم ہونے والے ٹیرف کے لیے درخواست دائر کرنے کا ارادہ رکھتے ہیں۔

## مستقبل کا منظر نامہ

17-2016 کے کرشننگ مہم کا آغاز نسبتاً بہتر ہوا ہے۔ شوگر ملز اور کاشتکاروں کے نمائندوں کی مشاورت سے صوبائی حکومت نے 182 روپے فی ٹن 40 کلوگرام کم سے کم قیمت کا اعلان کیا ہے۔ یہ بھی فیصلہ کیا گیا تھا کہ شوگر ملیں 15 نومبر 2016 سے کرشننگ شروع کریں گی۔

شوگر ملوں نے آغاز میں ہچکچاہٹ کے باوجود کاشتکاروں کو مثبت جواب دیا اور حکومت کی کال کے مطابق فیکٹریوں میں کام شروع کر دیا۔ تاہم ابتدائی طور پر گنتے کی آمد حوصلہ افزا نہیں ہوئی اور ملز کو 50 فیصد صلاحیت پر چلایا گیا۔ یہ امید کی جاتی ہے کہ صورتحال دسمبر 2016 کے آخری نصف میں بہتر ہو جائے گی۔

گزشتہ چند سالوں کی طرح، مہران شوگر نے اپنے علاقے میں گنتے کی دستیابی کا فائدہ اٹھانے کی کوشش کی ہے۔ ہمیں امید ہے کہ علاقے میں موجود گنتے کی اچھی قسم، ہماری بہتر اور اضافی پیداواری صلاحیت (جو کہ ہماری پروسس ہاؤس میں بہتری کی وجہ سے ہے) کی وجہ سے بہتر کرشننگ اور ریکوری متوقع ہے۔ گنتے کی خریداری کے لیے ادائیگی کی پالیسی میں کوئی ترمیم نہیں کی گئی ہے، لہذا ہم اپنے کرشننگ اور پیداوار کے اہداف کے حصول کے لیے پُر امید ہیں۔

15 دسمبر 2016 تک آپ کی مل نے 4.56 ملین ٹن گنتے کی کرشننگ کی اور ریکوری کی اوسط 9.8 فیصد رہی۔ مہران کے لیے مجموعی طور پر ریکوری کا رجحان

گزشتہ سال کی طرح لگتا ہے، اور ہم امید کرتے ہیں کہ اس سال کی ریکوری پچھلے سال جتنی ہی ہوگی جو کہ ایک مثبت بات ہے۔

اس سال بڑی سرمایہ کاری ہمارے شوگر پلانٹ میں بھاپ کی ضرورت کو کم کرنے کے لیے کی گئی، ہمارا چیلنج اس سال یہ ہے کہ ہم کس طرح اس کو حاصل کرنے میں کامیاب ہوتے ہیں۔ ممکنہ نتیجے کے طور پر ہمیں یہ دیکھنا ہوگا کہ ہم پچھلے سال کے مقابلے میں اس سال کتنی Baggasse بچانے میں کامیاب ہوتے ہیں۔ ہماری بھاپ اور توانائی کی بچت کے اقدامات ہمارے 26.5 میگا واٹ کو جنریشن منصوبے کے لیے بنیاد ہیں۔

ہر سال کی طرح اس سال بھی چینی کی قیمتوں میں نئے سیزن کی پیداواری آمد کی وجہ سے کمی واقع ہوئی ہے۔ مقامی چینی کی قیمتیں قومی پیداواری تعداد (جو کہ گزشتہ سال کے مقابلے میں 10 فیصد زیادہ ہونے کی توقع ہے) حکومت کی برآمدی پالیسی اور بین الاقوامی مارکیٹ میں چینی کی قیمتوں پر منحصر ہے۔

آخری سہ ماہی میں قدرے پریشان کن حد تک بین الاقوامی منڈی میں قیمتیں 100 امریکی ڈالر تک گر گئیں۔ تاہم پاکستان اب بھی افغانستان اور وسطی ایشیائی مارکیٹ میں چینی کی فراہمی کا سب سے بڑا ذریعہ ہے۔ اگر اس طرح برآمدات کی اجازت دی جاتی رہی تو ہم پُر امید ہیں کہ چینی کی قیمتیں پورے سال کے لیے مستحکم رہیں گی۔

## اظہار تشکر

ہم اپنے محنت کشوں، اسٹاف اور افسروں کی لگن اور محنت کو قدر کی نگاہ سے دیکھتے ہیں جن کی بدولت کمپنی کے حصص یافتگان کو ان کی سرمایہ کاری پر اطمینان بخش منافع کا حصول ممکن ہوا۔ ہم امید کرتے ہیں کہ مستقبل میں بھی اسی جذبے اور لگن سے کام جاری رکھیں گے جو کہ کمپنی کی پیداوار اور بہتری کے لئے اچھا ثابت ہوگا۔ بورڈ حکومتی اداروں، بینکوں اور سپلائرز سے بھی اظہار تشکر کرتا ہے جن کے تعاون اور مدد سے کمپنی زیادہ مؤثر اور مستحکم ہوئی۔

کراچی: 21 دسمبر، 2016

برائے اور از طرف بورڈ آف ڈائریکٹرز

محمد ابراہیم ہاشم

چیف ایگزیکٹو آفیسر

2017 سے شروع ہونے کی توقع ہے۔ اس وقت تک کمپنی ملٹی نیشنل مشروب سازوں کے ساتھ طویل المدت معاہدے پر دستخط کی توقع رکھتی ہے۔ ان معاہدوں میں نمایاں طور پر کمپنی کے منافع کو بہتر بنانے کی توقع ہے۔

درج ذیل ٹیبل کمپنی کی چند جھلکیوں کو ظاہر کرتا ہے۔

مالیاتی / آپریشنل معلومات	یونٹس	2015-2016	2014-2015
فروخت	روپے 000 میں	4,133,750	4,333,964
گل منافع	روپے 000 میں	725,255	655,079
قبل از ٹیکس منافع	روپے 000 میں	335,244	164,713
بعد از ٹیکس منافع	روپے 000 میں	325,244	174,713
فی حصص آمدنی	روپے	4.70	2.53
پیداوار انتھنل	میٹرک ٹن	53,257	57,540
پیداوار CO <sub>2</sub>	میٹرک ٹن	6,474	4,881

### یونی انرجی لمیٹڈ

یونی انرجی لمیٹڈ چھمپیر میں 50 میگا واٹ ونڈ پاور پلانٹ قائم کرنے کے لیے قائم ایک مشترکہ منصوبہ پر کام کر ڈی عدم دستیابی کی وجہ سے سست روی کا شکار ہے۔ اس کے علاوہ نیپرا کا مقرر کردہ ٹیرف بھی ختم ہو گیا ہے اور ابھی ایک نیا ٹیرف متوقع ہے۔

اس تعطل کے باوجود، ہم ایک ابتدائی حل اور اس منصوبے کی بحالی کے لیے پُر امید ہیں۔ ہم صوبائی اور وفاقی حکومت کے متعلقہ محکموں کے ساتھ رابطے میں ہیں۔ دسمبر 2016 میں گرڈ جائزہ پینل میٹنگ ہوگی جس میں آگے کی حکمت عملی طے کی جائے گی۔ اس طرح ہماری اگلی سہ ماہی رپورٹ میں ایک واضح تصویر ہوگی۔

جہاں تک اس کے مالیاتی قرضہ کا تعلق ہے، ہم بین الاقوامی اداروں سے بھی بات چیت کر رہے ہیں۔

اس سال ہم نے اپنی مل میں 12 ملین روپے کی لاگت سے 118 کلو واٹ کے سٹشی توانائی کے پینل نصب کئے ہیں۔ جس سے روزانہ 550 یونٹ بجلی پیدا کی جاتی ہے۔ اس منصوبے کی کامیابی کو دیکھتے ہوئے ایک اور 60 کلو واٹ کے پینل کا اضافہ کرنے پر کام شروع کیا جا رہا ہے جس کا بنیادی مقصد سیزن کے بعد کی بجلی کی لاگت کو کم کرنا اور بجلی کی فراہمی میں خود انحصاری حاصل کرنا ہے۔

ریٹیل ڈویژن نے سیزن میں اضافہ اور عمدہ کارکردگی کو اس سال بھی جاری رکھا۔ ہمارے برانڈ "Sugarie" کی مختلف مصنوعات کو صارفین کا اعتماد حاصل ہو رہا ہے۔ مصنوعات کی ترسیل میں کچھ بنیادی تبدیلیاں کی گئی ہیں جس سے ترسیل پر کوئی سمجھوتا کئے بغیر لاگت میں کمی آئی ہے۔ کمپنی نے لاہور میں ایک نمائندہ دفتر کھولا ہے جہاں سے لاہور اور اسلام آباد کی مختلف مارکیٹوں میں ترسیل جاری ہے۔

ہماری موجودہ سال کی BMRE کا بنیادی نقطہ کی پیداواری صلاحیت میں بہتری ہے۔ ہماری حکمت عملی کے مطابق توانائی کی کارکردگی کو بہتر کرنے کے لئے مسلسل سرمایہ کاری کرنا تاکہ ہم Baggasse سے پیدا ہونے والی بجلی میں خود کفیل ہوں اور زائد بجلی حکومت کو ترسیل کی جاسکے۔ اس مقصد کو حاصل کرنے کے لئے ہمیں اپنے پلانٹ کی Steam کی ضروریات کو کم کرنا پڑے گا جو کہ ہم اپنے پلانٹ میں تبدیلی اور Automation کے ذریعے حاصل کرنے کی منصوبہ بندی کر رہے ہیں۔

اس سال ہم نے 125 ملین روپے کی لاگت سے جدید Effluent Treatment Plant کی تنصیب کی ہے۔ یہ پلانٹ اس وقت تنصیب کے مراحل میں ہے۔ ہمیں امید ہے کہ یہ پلانٹ جنوری 2017 کے آخر تک فعال ہو جائے گا، جس کے نتیجے میں ہم ماحولیاتی آلودگی سے متعلق تمام قوانین پر مکمل عملدرآمد کی حامل شوگر مل کا اعزاز حاصل کر لیں گے۔

اس سال ہم نے infrastructure کو بہتر کرنے پر بھی توجہ دی ہے۔ مل کی چار دیواری بھی دوبارہ تعمیر کی گئی ہے۔ اس کے علاوہ مرکزی گیٹ کے سامنے والی زمین کو بھی ہموار کر کے قابل استعمال بنایا گیا ہے۔ جس سے مرکزی سڑک پر ٹریفک کی بھیڑ کے خاتمے میں مدد ملی ہے۔

### یونیول لمیٹڈ

انتھنل کی پیداوار اور فروخت میں بالترتیب 57,540 میٹرک ٹن اور 54,591 میٹرک ٹن سے 53,257 میٹرک ٹن اور 52,843 میٹرک ٹن سے معمولی کمی واقع ہوئی۔ تاہم CO<sub>2</sub> کی پیداوار اور فروخت میں بالترتیب 33 فیصد اور 30 فیصد کا مثبت اضافہ ہوا۔ بعد از ٹیکس منافع میں 174.713 ملین سے 325.244 ملین تک اضافہ ہوا۔

CO<sub>2</sub> کے کاروبار میں بہتری کی وجہ سے اس کی پیداواری صلاحیت کو بڑھانے کے لیے نئی سرمایہ کاری کی جا رہی ہے۔ یہ اضافی پیداواری صلاحیت مارچ

کرشنگ سیزن 2015-16 میں گئے کی سلسل فراہمی جاری رہی جو کہ زیادہ تر مقررہ قیمتوں پر تھی۔ جوں جوں سیزن آگے بڑھتا رہا، شوگر ملوں کے درمیان مسابقت کی وجہ سے گئے کی قیمتیں بڑھتی رہیں لیکن چینی کی قیمتوں میں اضافہ کی وجہ سے خاص فرق نہیں پڑا۔ شوگر ملوں کے درمیان گئے کی خریداری کے لئے مقابلے کے باوجود مہران شوگر کاشتکاروں کے لئے پہلا انتخاب رہا جس کی بڑی وجہ ہمارا قیمت کی جلد ادائیگی کا نظام ہے۔ ہم نے اپنی ادائیگی کی ذمہ داری احسن طریقہ سے پوری کی۔ اسی نظام کی وجہ سے ہمارے ارد گرد کا علاقہ گئے کی کاشت کے حوالے سے کافی ترقی کر چکا ہے۔ اور ہم اپنے کاشتکاروں کو گئے کی اچھی قسم اگانے کے لئے قابل بھی کرتے ہیں۔

2014-15 کے مقابلے میں اس سال ریکوری 11.31 فیصد اگرچہ کے پچھلے سال کے مقابلے میں کم تھی لیکن یہ ملک میں سب سے زیادہ تھی۔ سندھ کی اوسط ریکوری 10.65 فیصد، ہماری ریکوری سے 8 فیصد پیچھے تھی اور پچھلے سال کی 10.53 فیصد کے مقابلے میں زیادہ تھی۔

مالیاتی لحاظ سے خدا کے فضل و کرم سے ہم نے کمپنی کی تاریخ کی سب سے زیادہ سیلز اور سب سے زیادہ بعد از ٹیکس منافع ریکارڈ کیا۔ پوری مہران ٹیم یہ سنگ میل عبور کرنے پر تعریف کی مستحق ہے۔

مندرجہ ذیل عوامل منافع میں اضافہ کی بڑی وجہ ہیں:

- ☆ سال بھر چینی کی ترسیل۔ اس سال کی سیلز 7.674 ارب روپے ہے جو کہ کمپنی کی تاریخ میں سب سے زیادہ ہے۔
- ☆ ایسوسی ایٹڈ کمپنی یونی کول کے منافع میں 2014-15 میں 93.968 ملین کے مقابلے میں 116.319 ملین تک بہتری۔
- ☆ چینی کے نرخوں میں 7 فیصد تک اضافہ۔
- ☆ بینکوں کو ادا کی گئی مالیاتی لاگت میں 146.566 ملین روپے سے 98.626 ملین روپے تک کی کمی جس کی بڑی وجہ بینکوں کے سود کی شرح میں کمی اور چینی کی متواتر فروخت جس سے مناسب سرمایہ کمپنی کو فراہم ہوتا رہا۔
- ☆ حیسکو کو بجلی کی فراہمی 20.76 ملین روپے سے 39.47 ملین روپے تک اضافہ۔
- ☆ مختلف کمپنیوں کے حصص سے ملنے والے Dividend میں 43.81 ملین روپے سے 49.72 ملین روپے تک اضافہ۔

ہمارا قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 668 ملین روپے اور 541.81 ملین روپے کمپنی کی تاریخ میں سب سے زیادہ ہے۔ اسی طرح فی حصص آمدنی 16.91 روپے بھی ایک ریکارڈ ہے۔ پہلی بار کمپنی کے شیئر کی قیمت 200 روپے تک جا پہنچی، جس سے ہماری مارکیٹ کی کپٹلائزیشن 6.58 ارب روپے تک تجاوز کر گئیں جو کہ ایک اور سنگ میل ہے۔ سال کے لیے سب سے زیادہ مارکیٹ کپٹلائزیشن 6.727 ارب روپے ریکارڈ کی گئی۔

حیسکو کو بجلی کی فراہمی بغیر کسی رکاوٹ کے جاری رہی اور ادائیگی بھی 30 جون 2016 تک مکمل کر دی گئی۔ حیسکو کے ساتھ معاملات بہت اچھے رہے ہیں اور ہمیں امید ہے کہ بجلی کی پیداوار اور تقسیم دونوں کے لیے فائدہ مند ثابت ہوگی۔

آپریٹیشنل معلومات	2015-2016	2014-2015
سیزن شروع ہونے کی تاریخ	24/11/2015	08/12/2014
سیزن ختم ہونے کی تاریخ	07/03/2016	30/03/2015
کرشنگ کا دورانیہ (دن)	105	108
گئے کی کرشنگ (میٹرک ٹن)	940,626	946,871
پیداواری صلاحیت کا استعمال (%)	78%	80%
سکرور ریکوری	11.31%	11.42%
چینی کی پیداوار (میٹرک ٹن)	106,400	108,136
مولیسس کی پیداوار (میٹرک ٹن)	38,604	39,027
مولیسس کی ریکوری	4.06%	4.25%

مالیاتی معلومات	2015-2016	2014-2015
(رقم ہزاروں میں علاوہ ای پی ایس)		
فروخت۔ مقامی مارکیٹ	7,674,145	4,025,999
فروخت۔ برآمدات	-----	613,726
کل فروخت	7,674,145	4,639,725
سیلز ٹیکس/فیڈرل ایکسائز ڈیوٹی	560,919	278,366
خالص منافع	742,879	679,907
خالص منافع کی شرح	10.44%	15.59%
قبل از ٹیکس منافع	668,007	546,877
قبل از ٹیکس منافع کی شرح	9.39%	12.54%
بعد از ٹیکس منافع	541,807	430,034
بعد از ٹیکس منافع کی شرح	7.62%	9.86%
فی حصص آمدنی	16.91	13.43

## ڈائریکٹرز رپورٹ

### قومی معیشت

مالی سال 2016 ملک کی حالیہ اقتصادی تاریخ میں ایک اور امید افزا سال تھا۔ معاشی اشاریے بدستور بہتری کی جانب گامزن رہے۔ افراط زر تاریخ کی کم ترین سطح 2.9 فیصد پر رہی۔ مجموعی قومی پیداوار کی شرح 4.7 فیصد ریکارڈ کی گئی اور زرمبادلہ کے ذخائر 23.1 ارب امریکی ڈالر تک جا پہنچے۔ عالمی سطح پر گرتی ہوئی تیل کی قیمتیں پاکستان کے خسارے کو کم کرنے میں مددگار ثابت ہوئیں۔ غیر ملکی سرمایہ کاری بھی پاک چین اقتصادی راہداری منصوبوں کی وجہ سے 1.9 ارب امریکی ڈالر تک بڑھ گئیں۔ ہم محسوس کرتے ہیں کہ پاک چین اقتصادی راہداری منصوبے میں 45 ارب امریکی ڈالر جو کہ بنیادی طور پر توانائی اور موصلاتی ڈھانچے سے متعلق ہیں پاکستان کے مستقبل کی اقتصادی ترقی کے لیے ایک بہت بڑا محرک ہیں۔

افراط زر کی گرتی ہوئی شرح کی وجہ سے اسٹیٹ بینک آف پاکستان نے شرح سود کو 5.75 فیصد تک محدود رکھا جو کہ تاریخ کی کم ترین سطح پر ہے نتیجتاً معیشت کی ترقی کیلئے سود مند ہے اسی طرح اسٹاک مارکیٹ میں بڑھاوے کا سبب بھی ہے۔

برآمدات میں 8.8 فیصد کمی رہی جس کی بنیادی وجہ کپاس اور بجلی کی قلت سے ٹیکسٹائل کی صنعت کو ہونے والا نقصان ہے۔ زیادہ تر بیرون ملک کام کرنے والے پاکستانیوں کی جانب سے ترسیلات زر 19.9 ارب امریکی ڈالر تھیں، جو کہ غیر ملکی کرنسی کے ذخائر کو مستحکم رکھنے کا ایک بڑا ذریعہ ہے۔

جولائی 2016 سے پاکستان آئی ایم ایف پروگرام سے باہر آ گیا ہے جس کی بنیادی وجہ بہتر زرمبادلہ کے ذخائر اور بہتر اقتصادی پالیسی ہے یہ مثبت بنیاد پاکستان کے نوجوانوں کے لیے روزگار کے مواقع کو یقینی بنانے کے لیے اہم ہے اور ہم امید کرتے ہیں کہ اگلی چند ہفتوں میں اقتصادی طور پر پاکستان مزید مستحکم ہوگا۔

### عالمی سطح پر چینی کا جائزہ

عالمی سطح پر چینی کی کمی یا زیادتی بنیادی طور پر چار بڑے چینی بنانے والے ممالک یعنی برازیل، بھارت، یورپی یونین، اور تھائی لینڈ پر منحصر ہے۔ 2016-17 کے لیے عالمی سطح پر چینی کی پیداوار 5 ملین ٹن سے 171 ملین ٹن تک پہنچی جس میں برازیل اور یورپی یونین میں اضافہ اور بھارت اور تھائی لینڈ کی پیداوار میں کمی رہی۔ عالمی سطح پر چینی کی قیمتوں میں گزشتہ سال سے منفی رجحان دیکھا گیا اور چینی کی قیمتیں 650 ڈالر فی ٹن تک گرنے کے بعد اس میں بہتری کے آثار دکھائی دیتے ہیں، تاہم قیمتیں پھر سے نیچے آگئیں لیکن اب بھی برآمد کنندگان کے لیے پُرکشش ہیں۔ بلند قیمتوں کے باوجود، کھپت میں اضافہ دیکھا گیا۔

برازیل میں 3.1 ملین ٹن اضافہ سے 38 ملین ٹن کی پیداوار متوقع ہے جس کی وجہ سازگار موسم اور گئے کا چینی کی پیداوار کے لئے استعمال میں اضافہ ہے۔ یورپی یونین میں بھی گئے کی کاشت کے علاقہ میں کمی کی وجہ سے پیداوار میں 1.9 ملین ٹن اضافہ سے 16.2 ملین ٹن ہونے کی توقع ہے۔ فصل اور پیداوار کے آؤٹ لک عام طور پر تسلی بخش ہیں اس لیے کہ گئے کی مختلف انواع کی کاشتکاری کا رجحان اب ایک ملک سے دوسرے ملک میں منتقل ہو رہا ہے۔ امریکہ میں چینی کی پیداوار میں

300,000 ٹن تک اضافہ متوقع ہے۔ چین میں پیداوار 700,000 ٹن کے اضافہ سے 9.5 ملین ٹن متوقع ہے جس کی بنیادی وجہ گئے کی کاشت میں اضافہ اور بہتر پیداوار ہے۔ اسی طرح آسٹریلیا، روس اور میکسیکو میں بھی چینی کی پیداوار میں بہتری متوقع ہے۔

بھارت میں گئے کی کاشت کے علاقے اور پیداواری صلاحیت میں کمی کی وجہ سے چینی کی پیداوار میں 3.6 ملین ٹن تک کمی متوقع ہے۔ تاہم بھارتی حکومت کا کہنا ہے کہ چینی کی پیداوار ملکی ضروریات کے لیے کافی ہوگی۔ ال اینڈ کی وجہ سے تھائی لینڈ میں گئے کی فصل خاصی متاثر ہوئی جس کے نتیجے میں وہاں ریکوری میں خاصی کمی متوقع ہے۔ تھائی لینڈ میں چینی کی پیداوار 470,000 ٹن کی کمی سے 9.3 ملین ٹن تک کا تخمینہ ہے۔

### صنعت کا جائزہ

کرشنگ سیزن 2015-16 نومبر 2015 میں معمول کے مطابق شروع ہوا۔ سندھ میں گئے کی مقررہ قیمت مبلغ 172 روپے فی 40 کلوگرام جبکہ پنجاب میں 180/- روپے فی 40 کلوگرام تھی۔ کرشنگ کا آغاز حکومتی نرخوں پر ملک بھر میں آسانی سے شروع ہوا لیکن سیزن کے اختتامی ایام میں گئے کی قیمتوں میں اضافہ ہوا۔ لیکن یہ اضافہ چینی کی قیمت میں اضافہ کی وجہ سے زیادہ اثر انداز نہیں ہوا۔

سندھ میں گئے کی فصل اور چینی کی پیداوار میں پچھلے سال کی نسبت کوئی خاطر خواہ اضافہ نہیں ہوا۔ چینی کی پیداوار 1.822 ملین ٹن رہی جو کہ گزشتہ سال میں 1.898 ملین ٹن تھی۔ پنجاب میں بھی پیداوار میں کمی ہوئی اور حتمی پیداوار 2.967 ملین ٹن رہی جو کہ گزشتہ سال میں 2.837 ملین ٹن تھی۔ چینی کی مجموعی قومی پیداوار 5.162 ملین ٹن رہی جبکہ گزشتہ سال 5.114 ملین ٹن تھی۔

چینی کی بہتر پیداوار کی وجہ سے فاضل اسٹاک کا تخمینہ ارد گرد 750,000 ملین ٹن لگایا گیا تھا۔ اس صورت حال کو دیکھتے ہوئے حکومت نے 500,000 ٹن کی برآمد کی پالیسی کی اجازت دی۔ لیکن صرف 253,909 ٹن برآمد کی گئی جس کا بیشتر حصہ افغانستان کی مارکیٹ کے لیے برآمد کیا گیا تھا۔

برآمدات میں کمی کی بنیادی وجہ یہ تھی کہ گزشتہ سال گنا خریدنے کی قیمت مبلغ 180/- روپے تھی جسے لازمی بنا دیا گیا۔ سندھ میں ملز نوٹیفیکیشن کے مطابق کم قیمت ادا کی گئی لہذا وہ برآمد کرنے کے اہل نہیں رہے۔ پوری مقدار پنجاب اور خیبر پختونخواہ میں موجود شوگر ملوں کی طرف سے برآمد کی گئی تھی۔ اُس وقت بین الاقوامی مارکیٹ میں چینی کی کم قیمت بھی برآمدات میں کمی کی وجہ تھی۔

ملک کی اوسط ریکوری 10.07% جبکہ پنجاب میں 9.94%، سندھ میں 10.53% اور خیبر پختونخواہ میں 9.65% تھی۔

سیزن کے اختتام کے بعد عالمی چینی کی قیمتوں میں بھارت اور برازیل مارکیٹ میں قلت کی وجہ سے اضافہ ہوا۔ یہ بین الاقوامی پیداواری قلت ملک میں چینی کی قیمتوں میں 10-15% اضافہ کا سبب رہی اور مقامی مارکیٹ میں ایک مثبت رویہ دیکھا گیا۔

# Notice of the Annual General Meeting

Notice is hereby given that the 51<sup>st</sup> Annual General Meeting of the members of the Company will be held at I.C.A.P. Auditorium, Chartered Accountants Avenue, Clifton, Karachi on Tuesday, January 31, 2017 at 1600 PST to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on November 22, 2016;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended September 30, 2016;
3. To consider and approve Final Cash Dividend @22.5% i.e. Rs. 2.25 per share in addition to 42.5% i.e. Rs. 4.25 per share interim dividend already paid for the year ended September 30, 2016 as recommended by the Board of Directors of the Company.
4. To appoint auditors for the year ending September 30, 2017 and to fix their remuneration. The retiring auditors M/s. EY Ford Rhodes, Chartered Accountants being eligible, have offered themselves for re-appointment.

## SPECIAL BUSINESS

5. (i) To elect eight (8) Directors as fixed by the Board for the term of three years, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984. The retiring Directors are:

1. Mohammed Kasim Hasham	2. Mohammed Ebrahim Hasham
3. Mohammed Hussain Hasham	4. Khurram Kasim
5. Ahmed Ebrahim Hasham\	6. Muhammad Iqbal
7. Muhammad Basheer	8. Dr. Amjad Waheed
- (ii) To apprise and review the status of investments in Associated Companies, for which statement as required by S.R.O 27(I)/2012 dated January 16, 2012 is annexed.
6. To transact any other business with the permission of the Chair.

By order of the of Board of Directors

**Muhammad Hanif Aziz**  
Company Secretary

Karachi: December 21, 2016

## NOTES

1. The share transfer books of the Company will remain closed from January 25, 2017 to January 31, 2017 (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, 2016

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

Associated Companies	Total Investment Approved	Amount of Investment made to date	Reasons for not having made complete investments so far	Material Change in financial Statements of associated company since resolution
Mehran Energy Limited	750.00 Million	10.00 Million	Project is expected to be operational in December 2018 and approved investment amount will be incurred as per indicative implementation schedule prepared on the basis of guideline issued by NEPRA. Presently we are facing no constraints in achieving the target date.	No material change.
UniFoods Industries Limited	200.00 Million	50.00 Million	Project is expected to be operational in December 2017 and approved investment amount will be incurred as per estimated fund requirements. Presently we are facing no constraints in achieving the target date.	No material change.
UniEnergy Limited	650.0 Million	20.00 Million	Work on UniEnergy Ltd has slowed down due to non-availability of the grid for evacuation of power. In addition the NEPRA's determined tariff has also expired and a new one has yet to be announced.  We are hopeful for an early solution and a revival of this project. We are actively pursuing the matter with the relevant departments in the Provincial as well as Federal Government.	No material change.

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

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

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

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

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

- 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).
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or

an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

- There was no casual vacancy on the Board in the current year.
- 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.
- The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- Six directors of the Company are exempted from the requirement of the Directors' Training Program and two directors are certified from Pakistan Institute of Corporate Governance. All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.



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Chartered Accountants  
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ey.khi@pk.ey.com  
ey.com/pk

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

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been fully complied with.

For and on behalf of the Board

**Mohammed Ebrahim Hasham**  
Chief Executive Officer

Karachi: December 21, 2016

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

We have reviewed the enclosed Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Mehran Sugar Mills Limited** (the Company) for the year ended **30 September 2016** to comply with the requirements of Rule Book of Pakistan 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended **30 September 2016**.



Chartered Accountants

Date: December 21, 2016  
Place: Karachi

## Auditors' Report to the Members

We have audited the annexed balance sheet of Mehran Sugar Mills Limited (the Company) as at 30 September 2016 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 2016 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 the contents of note 27.1 to the financial statements in respect of contingencies. The ultimate outcome of the matters referred therein cannot presently be determined with certainty and, hence, no provision for any liability that may arise from such matters has been made in the financial statements. Our opinion is not qualified in respect of these matters.



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

**Date:** December 21, 2016  
**Place:** Karachi

# Balance Sheet

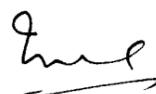
As at September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,952,924,527	1,649,074,339
Long-term receivable	6	-	-
Long-term investments	7	765,563,846	652,364,814
Long-term deposits		853,170	1,055,400
		<u>2,719,341,543</u>	<u>2,302,494,553</u>
<b>CURRENT ASSETS</b>			
Biological assets	8	43,848,243	48,829,127
Stores and spare parts	9	72,254,949	95,909,067
Stock-in-trade	10	412,035,787	1,462,632,972
Trade debts	11	10,559,935	42,097,026
Loans and advances	12	108,221,611	137,351,800
Trade deposits and short-term prepayments	13	6,519,310	9,817,974
Other receivables	14	3,717,367	6,835,115
Short-term investments	15	1,105,801,019	725,422,253
Taxation – net		-	9,970,709
Cash and bank balances	16	34,438,332	45,554,037
		<u>1,797,396,553</u>	<u>2,584,420,080</u>
<b>TOTAL ASSETS</b>		<u>4,516,738,096</u>	<u>4,886,914,633</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	17	320,312,450	320,312,450
Reserves		2,003,103,005	1,541,452,888
		<u>2,323,415,455</u>	<u>1,861,765,338</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	18	304,848,460	273,232,712
Liabilities against assets subject to finance lease	19	21,210,474	18,396,667
Market committee fee payable	20	70,334,256	26,160,000
Deferred liability	21	4,646,722	9,414,422
Deferred taxation	22	322,643,511	289,248,760
Provision for quality premium	23	119,290,919	119,290,919
		<u>842,974,342</u>	<u>735,743,480</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	1,113,134,038	1,772,939,561
Accrued mark up		8,841,589	11,525,019
Short-term borrowings	25	-	190,888,771
Current portion of long-term financing	18	167,716,209	151,020,204
Current maturity of liabilities against assets subject to finance lease	19	15,128,895	14,866,318
Current portion of market committee fee payable	20	3,757,652	2,180,000
Provision for market committee fee	26	9,406,263	47,329,553
Taxation - net		22,202,133	-
Sales tax and federal excise duty payable		10,161,520	98,656,389
		<u>1,350,348,299</u>	<u>2,289,405,815</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	27	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,516,738,096</u>	<u>4,886,914,633</u>

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



Chief Executive Officer



Director

# Profit and Loss Account

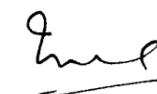
For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
Turnover	28	7,113,225,987	4,361,359,652
Cost of sales	29	(6,370,347,160)	(3,681,452,587)
Gross profit		<u>742,878,827</u>	<u>679,907,065</u>
Distribution costs	30	(36,885,849)	(40,490,950)
Administrative expenses	31	(197,437,925)	(173,380,060)
Other expenses	32	(41,205,962)	(27,737,505)
Other income	33	183,025,441	161,175,935
		<u>(92,504,295)</u>	<u>(80,432,580)</u>
<b>Operating profit</b>		<u>650,374,532</u>	<u>599,474,485</u>
Share of profit from an associate – net of tax	7	116,258,625	93,968,610
Finance costs	34	(98,626,401)	(146,566,462)
<b>Profit before taxation</b>		<u>668,006,756</u>	<u>546,876,633</u>
Taxation	35	(126,199,802)	(116,842,360)
<b>Net profit for the year</b>		<u>541,806,954</u>	<u>430,034,273</u>
<b>Basic and diluted earnings per share</b>	36	<u>16.91</u>	<u>13.43</u>

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



Chief Executive Officer



Director

# Statement of Comprehensive Income

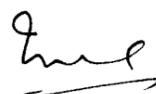
For the year ended September 30, 2016

	2016 Rupees	2015 Rupees
Net profit for the year	541,806,954	430,034,273
Other comprehensive income		
<b>Items to be classified to profit and loss account in subsequent periods</b>		
Unrealised gain / (loss) on revaluation of investments – net of tax	88,235,718	(11,222,547)
Reclassification to profit and loss account for loss / (gain) on sale of investments	11,647,389	(32,454,507)
	99,883,107	(43,677,054)
<b>Items that may not be reclassified subsequently to profit and loss account</b>		
Actuarial gain / (loss) on defined benefit plan	4,141,034	(667,641)
<b>Total comprehensive income for the year</b>	<b>645,831,095</b>	<b>385,689,578</b>

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



Chief Executive Officer



Director

# Cash Flow Statement

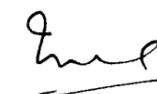
For the year ended September 30, 2016

Note	2016 Rupees	2015 Rupees
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
	668,006,756	546,876,633
	Profit before taxation	
	Adjustments for non-cash charges and other items:	
	137,410,827	130,145,316
	(116,258,625)	(93,968,610)
	6,418,324	(1,596,235)
	98,626,401	146,566,462
	(54,528,036)	(74,342,251)
	804,636	1,500,861
	9,406,263	9,468,708
37	418,947,234	372,731,770
	500,827,024	490,506,021
	(1,431,302)	(758,195)
	(71,359,193)	(18,054,529)
	(101,309,831)	(164,401,509)
	(1,577,652)	-
	202,230	-
	<b>993,358,032</b>	<b>854,168,421</b>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
	(438,770,996)	(196,888,181)
	16,127,066	4,141,439
	(1,279,524,497)	(753,726,646)
	1,044,283,876	550,329,243
	23,059,573	-
	<b>(634,824,978)</b>	<b>(396,144,145)</b>
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
	48,311,753	(29,988,156)
	(190,888,771)	(267,083,974)
	(21,959,016)	(5,258,251)
	(205,112,725)	(143,332,592)
	<b>(369,648,759)</b>	<b>(445,662,973)</b>
	(11,115,705)	12,361,303
	45,554,037	33,192,734
16	<b>34,438,332</b>	<b>45,554,037</b>

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, 2016

	Issued, sub-scribed and paid-up capital	Reserves					Total reserves	Total
		Capital reserve - Share premium	General reserve	Unrealized gain on revaluation of investments	Actuarial gain / (loss) on defined benefit plan	Unappropriated profit		
----- Rupees -----								
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
Final dividend for the year ended September 30, 2014 @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
First interim dividend for the year ended September 30, 2015 @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Second interim dividend for the year ended September 30, 2015 @ 12.5%	-	-	-	-	-	(40,038,800)	(40,038,800)	(40,038,800)
Third interim dividend for the year ended September 30, 2015 @ 12.5%	-	-	-	-	-	(40,039,155)	(40,039,155)	(40,039,155)
Fourth interim dividend for the year ended September 30, 2015 @ 10%	-	-	-	-	-	(32,031,245)	(32,031,245)	(32,031,245)
Net profit for the year	-	-	-	-	-	430,034,273	430,034,273	430,034,273
Other comprehensive loss	-	-	-	(43,677,054)	(667,641)	-	(44,344,695)	(44,344,695)
Total comprehensive income for the year	-	-	-	(43,677,054)	(667,641)	430,034,273	385,689,578	385,689,578
<b>Balance as at September 30, 2015</b>	<b>320,312,450</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>46,860,780</b>	<b>(667,641)</b>	<b>1,346,978,499</b>	<b>1,541,452,888</b>	<b>1,861,765,338</b>
Final dividend for the year ended September 30, 2015 @ 15%	-	-	-	-	-	(48,047,287)	(48,047,287)	(48,047,287)
First interim dividend @ 12.5%	-	-	-	-	-	(40,039,142)	(40,039,142)	(40,039,142)
Second interim dividend @ 15%	-	-	-	-	-	(48,047,278)	(48,047,278)	(48,047,278)
Third interim dividend @ 15%	-	-	-	-	-	(48,047,271)	(48,047,271)	(48,047,271)
Net profit for the year	-	-	-	-	-	541,806,954	541,806,954	541,806,954
Other comprehensive income	-	-	-	99,883,107	4,141,034	-	104,024,141	104,024,141
Total comprehensive income for the year	-	-	-	99,883,107	4,141,034	541,806,954	645,831,095	645,831,095
<b>Balance as at September 30, 2016</b>	<b>320,312,450</b>	<b>63,281,250</b>	<b>85,000,000</b>	<b>146,743,887</b>	<b>3,473,393</b>	<b>1,704,604,475</b>	<b>2,003,103,005</b>	<b>2,323,415,455</b>

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, 2016

## 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 Pakistan Stock Exchange Limited. The Company is principally engaged in the manufacturing and sale of sugar. The registered office of the Company is situated at 14th floor, Dolmen City Executive Tower, Marine Drive, Block 4, Clifton, Karachi. The mill of the Company is located at Distt. Tando Allahyar, Sindh.

## 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 standards and amendments

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

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 27 – Equity Method in Separate Financial Statements

IAS 28 – Investments in Associates and Joint Ventures

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

### 2.4 Standards not yet effective

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

# Notes to the Financial Statements

For the year ended September 30, 2016

	Effective date (accounting periods beginning on or after)
IFRS 2 – Share based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	
Not yet finalized	
IFRS 11 – Joint Arrangements – Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 – Presentation of Financial Statements – Disclosure Initiative (Amendment)	01 January 2016
IAS 7 – Financial Instruments: Disclosures – Disclosure Initiative (Amendment)	01 January 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendment)	01 January 2017
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets – Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

	IASB Effective date (accounting periods beginning on or after)
IFRS 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 2018
IFRS 16 – Leases	01 January 2019

# Notes to the Financial Statements

For the year ended September 30, 2016

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

### Property, plant and equipment

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

### Biological assets

The fair value of standing crop is determined based on the selling prices fixed by the Government of Sindh (GoS) 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.

# Notes to the Financial Statements

For the year ended September 30, 2016

## 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

#### Owned

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

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

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

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

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

#### Leased

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

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

#### Capital work-in-progress

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

# Notes to the Financial Statements

For the year ended September 30, 2016

## 4.2 Investments

### Associates

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

### Available-for-sale

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

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

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

### Held-to-maturity

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

## 4.3 Biological assets

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

## 4.4 Stores and spare parts

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

## 4.5 Stock-in-trade

These are valued at the lower of weighted 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.

# Notes to the Financial Statements

For the year ended September 30, 2016

## 4.6 Trade debts and other receivables

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

## 4.7 Cash and cash equivalents

These are carried at cost.

## 4.8 Employees' benefits

### Gratuity

The Company operates an unfunded gratuity scheme for its permanent mill employees. Provision is made annually, to cover obligations under the plan, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation using the "Projected Unit Credit Method". The latest valuation has been carried out as at September 30, 2016.

### Provident fund

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

General disclosures	2016 Rupees (Unaudited)	2015 Rupees (Audited)
Size of the fund	136,557,773	114,053,510
Cost of investments	89,094,949	77,965,280
Fair value of investments	131,986,474	109,420,165
Percentage of investments	97%	96%

### Break-up of investments

	2016		2015	
	(Rupees)	(%)	(Rupees)	(%)
Defence Saving Certificates	115,891,525	85	104,454,885	92
Bank balances	16,094,949	12	4,965,280	4
Total	<u>131,986,474</u>	<u>97</u>	<u>109,420,165</u>	<u>96</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.

# Notes to the Financial Statements

For the year ended September 30, 2016

## Compensated absences

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

## 4.9 Taxation

### Current

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

### Deferred

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

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

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

## 4.10 Trade and other payables

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

## 4.11 Provisions

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

## 4.12 Foreign currency transactions and translation

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

# Notes to the Financial Statements

For the year ended September 30, 2016

## 4.13 Borrowing costs

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

## 4.14 Financial instruments

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

## 4.15 Offsetting of financial assets and financial liabilities

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

## 4.16 Revenue recognition

- Sales are recognized as revenue when invoiced, which generally coincides with the delivery of goods.
- Profit on term deposit receipts is recognized on 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.
- Income from sale of electricity is recognized as and when invoiced.

## 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	2016 Rupees	2015 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	1,657,402,561	1,601,164,852
Capital work-in-progress	5.2	295,521,966	47,909,487
		<u>1,952,924,527</u>	<u>1,649,074,339</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

## 5.1 Operating fixed assets

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

# Notes to the Financial Statements

For the year ended September 30, 2016

Description	2015							
	Cost at October 01, 2015	Additions/ (deletions)	Cost at September 30, 2016	Accumulated depreciation at October 01, 2015	Depreciation for the year/ (deletions)	Accumulated depreciation at September 30, 2016	Book value at September 30, 2016	Dep. Rate
-----Rupees-----								
<b>Owned</b>								
Freehold land	180,720	77,255,000	77,435,720	-	-	-	77,435,720	-
Buildings on freehold land								
- Factory	236,372,115	11,561,321	247,933,436	87,890,410	15,539,534	103,429,944	144,503,492	10 %
- Non-factory	50,557,541	-	50,557,541	10,403,874	2,007,683	12,411,557	38,145,984	5 %
Plant, machinery and equipment	1,939,920,663	109,154,703	2,049,075,366	773,571,515	91,399,360	864,970,875	1,184,104,491	7.5 %
Furniture and fittings	10,185,774	35,400	10,221,174	3,966,236	624,903	4,591,139	5,630,035	10 %
Vehicles	28,580,081	865,195 (1,014,768)	28,430,508	18,951,006	1,987,008 (550,738)	20,387,276	8,043,232	20 %
Office premises	84,611,044	-	84,611,044	9,107,513	3,775,177	12,882,690	71,728,354	5 %
Office equipment	8,353,335	443,800	8,797,135	6,022,963	255,924	6,278,887	2,518,248	10 %
Electric installation	16,653,275	188,100	16,841,375	9,872,596	693,743	10,566,339	6,275,036	10 %
Weighbridge and scales	1,202,624	-	1,202,624	966,307	23,632	989,939	212,685	10 %
Workshop tools and other equipment	8,910,896	-	8,910,896	6,225,286	268,561	6,493,847	2,417,049	10 %
Computers	9,774,210	533,600	10,307,810	6,697,179	979,912	7,677,091	2,630,719	30 %
Air conditioners and refrigerators	13,359,385	755,500	14,114,885	5,965,474	777,711	6,743,185	7,371,700	10 %
	2,408,661,663	200,792,619 (1,014,768)	2,608,439,514	939,640,359	118,333,148 (550,738)	1,057,422,769	1,551,016,745	
<b>Leased</b>								
Vehicles	67,390,300	10,622,000 (4,530,000)	73,482,300	13,970,851	11,812,168 (2,448,826)	23,334,193	50,148,107	20 %
<b>Total</b>	<b>2,476,051,963</b>	<b>211,414,619 (5,544,768)</b>	<b>2,681,921,814</b>	<b>953,611,210</b>	<b>130,145,316 (2,999,564)</b>	<b>1,080,756,962</b>	<b>1,601,164,852</b>	

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

	Note	2016 Rupees	2015 Rupees
Cost of sales	29	115,863,706	109,932,513
Administrative expenses	31	21,547,121	20,212,803
		<b>137,410,827</b>	<b>130,145,316</b>

# Notes to the Financial Statements

For the year ended September 30, 2016

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

Particulars	(Rupees)					Mode of Disposal	Particulars of Purchaser
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)		
<b>Buildings on freehold land – Factory</b>							
Boiler Control Room	3,309,719	1,853,631	1,456,088	-	(1,456,088)	Write-off	-
Other assets with book value less than Rs. 50,000 each	1,027,195	992,600	34,595	-	(34,595)	Write-off	-
	4,336,914	2,846,231	1,490,683	-	(1,490,683)		
<b>Buildings on freehold land – Non-factory</b>							
Other assets with book value less than Rs. 50,000 each	39,000	35,106	3,894	-	(3,894)	Write-off	-
<b>Plant, machinery and equipment</b>							
Various	66,239,588	52,804,230	13,435,358	6,394,667	(7,040,691)	Negotiation	Mr. Ishtiaq Ahmed - Karachi
Other assets with book value less than Rs. 50,000 each	4,414,336	3,964,828	449,508	213,950	(235,558)	Negotiation	Mr. Ishtiaq Ahmed - Karachi
	70,653,924	56,769,058	13,884,866	6,608,617	(7,276,249)		
<b>Furniture and fittings</b>							
Wooden Window Frame	267,000	128,565	138,435	-	(138,435)	Write-off	-
Other assets with book value less than Rs. 50,000 each	2,227,222	1,995,718	231,504	-	(231,504)	Write-off	-
	2,494,222	2,124,283	369,939	-	(369,939)		
<b>Office equipment</b>							
Other assets with book value less than Rs. 50,000 each	3,849,413	3,558,896	290,517	-	(290,517)	Write-off	-
<b>Electric Installation</b>							
Electrical Panels	3,968,550	3,427,494	541,056	-	(541,056)	Write-off	-
Other assets with book value less than Rs. 50,000 each	1,857,222	1,819,173	38,049	-	(38,049)	Write-off	-
	5,825,772	5,246,667	579,105	-	(579,105)		
<b>Weighbridge and scales</b>							
Other assets with book value less than Rs. 50,000 each	199,400	179,879	19,521	-	(19,521)	Write-off	-
<b>Workshop tools and other equipment</b>							
Laser Levelers	760,000	565,031	194,969	-	(194,969)	Write-off	-
Generator	800,000	594,671	205,329	-	(205,329)	Write-off	-
Other assets with book value less than Rs. 50,000 each	1,008,973	865,553	143,420	-	(143,420)	Write-off	-
	2,568,973	2,025,255	543,718	-	(543,718)		
<b>Computers</b>							
Other assets with book value less than Rs. 50,000 each	1,155,942	1,143,198	12,744	-	(12,744)	Write-off	-
<b>Air conditioners and Refrigerators</b>							
Refrigerator	100,000	18,931	81,069	-	(81,069)	Write-off	-
Split A/C	360,000	92,678	267,322	-	(267,322)	Write-off	-
Split A/C	357,390	67,659	289,731	-	(289,731)	Write-off	-
Other assets with book value less than Rs. 50,000 each	3,584,845	3,108,214	476,631	-	(476,631)	Write-off	-
	4,402,235	3,287,482	1,114,753	-	(1,114,753)		
<b>Vehicles</b>							
Suzuki Alto (AVJ-894)	730,500	444,378	286,122	426,082	139,960	Policy	Mr. Sajid Wahab – employee
Toyota Corolla XLI (AWP-541)	1,569,000	988,595	580,405	1,029,421	449,016	Policy	Mr. Sanaulah – employee
Suzuki Alto (AWP-559)	771,000	388,657	382,343	451,946	69,603	Policy	Mr. Muhammad Pervaiz – employee
Habib Motorcycle (KGF-7225)	41,000	18,232	22,768	41,000	18,232	Policy	Mr. Ghulam Muhammad – employee
Mercedes Benz (ATH 707)	6,824,880	4,029,410	2,795,470	6,150,000	3,354,530	Negotiation	Mr. Ali Asghar – Karachi
Toyota Corolla XLI (AXF-937)	202,250	33,708	168,542	1,420,000	1,251,458	Negotiation	Mr. Misal Khan – Karachi
	10,138,630	5,902,980	4,235,650	9,518,449	5,282,799		
<b>Total</b>	<b>105,664,425</b>	<b>83,119,035</b>	<b>22,545,390</b>	<b>16,127,066</b>	<b>(6,418,324)</b>		

# Notes to the Financial Statements

For the year ended September 30, 2016

	Buildings on freehold land	Plant, machinery and equipment	Total
	----- Rupees -----		
<b>5.2 Capital work-in-progress</b>			
Balance as at September 30, 2014	40,000	56,145,925	56,185,925
Capital expenditure incurred / advances made during the year	13,285,448	58,201,579	71,487,027
Transfer to operating fixed assets	(11,561,321)	(68,202,144)	(79,763,465)
Balance as at September 30, 2015	1,764,127	46,145,360	47,909,487
Capital expenditure incurred / advances made during the year	66,466,143	310,456,856	376,922,999
Transfer to operating fixed assets	(12,422,301)	(116,888,219)	(129,310,520)
<b>Balance as at September 30, 2016</b>	<b>55,807,969</b>	<b>239,713,997</b>	<b>295,521,966</b>

	Note	2016 Rupees	2015 Rupees
<b>6. LONG-TERM RECEIVABLE</b>			
Tender earnest money		1,000,000	1,000,000
Down payment		33,125,000	33,125,000
Other costs		8,385,996	8,385,996
	6.1	42,510,996	42,510,996
Provision for doubtful receivable		(42,510,996)	(42,510,996)
		-	-

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

# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>7. LONG TERM INVESTMENTS – stated as per equity method</b>			
<b>Associates – unquoted</b>			
<b>Unicol Limited (UL)</b>			
23,059,573 (2015: 23,059,573) Ordinary shares of Rs. 10 each % of holding: 33.33 (2015: 33.33) %	7.1	745,628,638	652,364,814
<b>UniEnergy Limited (UEL)</b>			
1,999,998 Ordinary shares of Rs. 10 each % of holding: 20.00% Share of loss	7.3	19,999,980	-
		(64,772)	-
		19,935,208	-
		765,563,846	652,364,814

	Note	2016 Rupees	2015 Rupees
<b>7.1 Movement of investment</b>			
Opening balance		652,364,814	558,396,204
Share of profit – net of tax		108,414,696	50,329,347
Prior year adjustment	7.1.1	7,908,701	43,639,263
		116,323,397	93,968,610
Less : Dividend received during the year		(23,059,573)	-
		745,628,638	652,364,814

7.1.1 Represents under booked profit in prior years on the basis of unaudited financial statements.

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

	2016 Rupees	2015 Rupees
Aggregate amount of:		
- assets	4,167,301,000	4,272,330,000
- liabilities	1,930,416,000	2,291,510,000
- revenue	4,133,750,000	4,333,964,000
- profit	325,244,000	174,713,000

# Notes to the Financial Statements

For the year ended September 30, 2016

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

	Note	2016 Rupees	2015 Rupees
Aggregate amount of:			
- assets		100,298,473	-
- liabilities		622,332	-
- revenue		-	-
- loss		(323,859)	-

## 8. BIOLOGICAL ASSETS

	Note	2016 Rupees	2015 Rupees
8.1 Carrying value at beginning of the year	8.1	43,848,243	48,829,127
Increase due to cultivation		48,829,127	58,924,461
Change in fair value less costs to sell of standing crop		28,471,870	27,070,673
		15,376,373	21,758,454
		92,677,370	107,753,588
Reduction due to harvesting		(48,829,127)	(58,924,461)
Carrying value at the end of the year		43,848,243	48,829,127

8.2 The Company is engaged in cultivation of different sugarcane varieties. These varieties are then provided to growers for multiplication. During the year, the Company harvested 237,091 maunds sugarcane at the yield of 714 maunds per acre. 97,814 maunds were supplied to growers for variety multiplication while remaining sugarcane was used for crushing at mill.

	Note	2016 Rupees	2015 Rupees
9. STORES AND SPARE PARTS			
Stores		13,007,972	28,974,411
Spare parts		59,246,977	66,934,656
		72,254,949	95,909,067

## 10. STOCK-IN-TRADE

Manufactured sugar		2,702,374	2,922,740
- Work-in-process		409,333,413	1,459,710,232
- Finished goods		412,035,787	1,462,632,972

## 11. TRADE DEBTS – unsecured

	Note	2016 Rupees	2015 Rupees
Considered good	11.1	10,559,935	42,097,026
Considered doubtful		16,987,867	16,987,867
		27,547,802	59,084,893
Less: Provision for doubtful debts	11.2	16,987,867	16,987,867
		10,559,935	42,097,026
11.1 The aging of trade debts is as follows:			
Neither past due nor impaired		-	-
Past due but not impaired (within 90 days)		10,559,935	42,097,026
		10,559,935	42,097,026

# Notes to the Financial Statements

For the year ended September 30, 2016

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

	Note	2016 Rupees	2015 Rupees
12. LOANS AND ADVANCES – considered good			
Loans to employees		2,018,530	2,495,345

### Advances

- to suppliers		29,537,997	11,825,600
- to cane growers		15,175,733	16,210,778
- against expenses		21,043,333	4,847,095
- federal excise duty / sales tax		40,446,018	101,972,982
		106,203,081	134,856,455
		108,221,611	137,351,800

## 13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

### Trade deposits

Considered good		398,640	358,640
Considered doubtful		8,196,113	8,196,113
		8,594,753	8,554,753
Less: Provision for doubtful deposits	13.1	8,196,113	8,196,113
		398,640	358,640

### Short-term prepayments

Considered good		6,120,670	9,459,334
Considered doubtful		563,441	563,441
		6,684,111	10,022,775
Less: Provision for doubtful prepayments		563,441	563,441
		6,120,670	9,459,334
		6,519,310	9,817,974

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

	Note	2016 Rupees	2015 Rupees
14. OTHER RECEIVABLES – considered good			
Due from related parties:			
Pakistan Molasses Company (Private) Limited		1,964,812	3,186,572
Mogul Tobacco Company (Private) Limited		207,281	1,032,362
		2,172,093	4,218,934
Others		1,545,274	2,616,181
		3,717,367	6,835,115

# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>15. SHORT-TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Term deposit certificates	15.1	3,300,000	3,300,000
<b>Available for sale</b>			
Equity securities	15.2	<u>1,102,501,019</u>	<u>722,122,253</u>
		<u>1,105,801,019</u>	<u>725,422,253</u>

15.1 These carry profit rate of 3.51 (2015: 6.34) percent per annum, having maturity up to six months.

2016	2015		2016 Rupees	2015 Rupees
Number of shares of par value Rs. 10/- each				
200,000	-	<b>Quoted companies</b>	10,924,000	-
-	375,400	Adamjee Insurance Limited	-	34,912,200
-	100,000	Allied Bank Limited	-	5,007,000
40,000	-	Arif Habib Corporation Limited	13,035,200	-
1,700,000	2,159,750	Attock Refinery Limited	76,466,000	89,845,600
1,000,000	-	Bank Al Habib Limited	13,320,000	-
-	100,000	Bank of Punjab Limited	-	8,622,000
400,000	235,000	Cherat Cement Limited	74,352,000	32,199,700
10,000	160,000	D.G.K.Cement Limited	2,912,500	47,740,800
200,000	375,000	Engro Corporation Limited	12,332,000	33,675,000
-	40,000	Engro Fertilizers Limited	-	5,894,400
-	100,000	Engro Foods Limited	-	3,500,000
152,000	-	Engro Powergen Qadirpur Limited	21,904,720	-
-	250,000	Faran Sugar Mills Limited	-	11,570,000
-	50,000	Fatima Fertilizer Company Limited	-	6,172,500
750,000	-	Fauji Fertilizer Company Limited	11,880,000	-
400,000	-	Faysal Bank Limited	88,324,000	95,219,293
499,800	481,684	Habib Bank Limited	59,561,166	49,120,000
15,000	500,000	Hub Power Company Limited	22,505,700	-
1,299,000	-	Indus Motors Limited	78,914,250	-
90,300	-	International Steel Limited	39,537,855	-
83,605	-	JDW Sugar Mills Limited	44,310,650	43,474,600
-	83,605	Jubilee Life Insurance Company Limited	-	14,120,000
-	2,000,000	K-Electric Limited	-	-
80,000	-	Kohat Cement Limited	20,573,600	-
15,000	10,000	Lucky Cement Limited	10,158,900	5,267,000
-	300,000	Maple Leaf Cement Factory Limited	-	20,562,000
60,000	-	Mari Petroleum Company Limited	57,271,800	-
250,000	125,000	MCB Bank Limited	55,200,000	28,681,250
1,000,000	1,000,000	Meezan Bank Limited	55,010,000	50,480,000
17,500	15,000	National Refinery Limited	9,897,825	3,298,800
250,000	150,000	Nishat Chunian Power Limited	11,465,000	8,400,000
100,000	100,000	Nishat Mills Limited	14,090,000	9,929,000
-	200,000	Nishat Power Limited	-	10,460,000
600,000	80,000	Oil Gas Development Corporation Limited	84,738,000	9,973,600
50,000	-	Packages Limited	33,463,500	-
100,000	20,000	Pakistan Oil fields Limited	40,131,000	5,878,600
100,825	100,825	Pakistan Petroleum Limited	16,502,028	12,012,291
25,000	11,000	Pakistan State Oil Company Limited	10,353,500	3,172,290
225,000	-	Pioneer Cement Limited	23,780,250	-
-	100,000	Sui Northern Gas Pipelines Limited	-	3,143,000
450,677	475,677	United Bank Limited	89,585,575	69,791,329
			<u>1,102,501,019</u>	<u>722,122,253</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>16. CASH AND BANK BALANCES</b>			
Cash in hand		15,716	68,382
Cash with banks in current accounts		<u>34,422,616</u>	<u>45,485,655</u>
		<u>34,438,332</u>	<u>45,554,037</u>

	Note	2016 Rupees	2015 Rupees
<b>17. SHARE CAPITAL</b>			
		2016 (Number of shares)	2015 (Number of shares)
<b>Authorized capital</b>			
<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>
<b>Issued, subscribed and paid-up capital</b>			
			Ordinary shares of Rs.10/- each
5,968,750		5,968,750	Fully paid in cash
350,000		350,000	Issued for consideration other than cash
25,712,495		25,712,495	Issued as fully paid bonus shares
		<u>32,031,245</u>	<u>320,312,450</u>
		<u>320,312,450</u>	<u>320,312,450</u>

	Note	2016 Rupees	2015 Rupees
<b>18. LONG TERM FINANCING – secured</b>			
From banking companies	18.1	472,564,669	424,252,916
Less: Current portion		<u>(167,716,209)</u>	<u>(151,020,204)</u>
		<u>304,848,460</u>	<u>273,232,712</u>

	Installments	Mark-up	2016 Rupees	2015 Rupees
	Number	Commencing from		
Al Baraka Bank Pakistan Limited	16 quarterly	November 2014	6 months KIBOR plus 1.75% per annum	82,195,140
Bank Islami Pakistan Limited	24 quarterly	January 2015	3 months KIBOR plus 1.25% per annum	35,414,169
Meezan Bank Limited	16 quarterly	March 2013	3 months KIBOR plus 1.30% per annum	4,687,500
Meezan Bank Limited	16 quarterly	April 2013	3 months KIBOR plus 1.30% per annum	8,125,000
Bank Al Habib Limited	20 quarterly	May 2016	6 months KIBOR plus 1.75% per annum	85,000,000
Bank Al Habib Limited	20 quarterly	December 2015	3 months KIBOR plus 1.50% per annum	200,000,000
Bank Al Habib Limited	14 quarterly	July 2014	6 months KIBOR plus 1.75% per annum	28,571,430
MCB Bank Limited	14 quarterly	May 2014	3 months KIBOR plus 2% per annum	28,571,430
			<u>472,564,669</u>	<u>424,252,916</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

18.2 The above facilities are secured by way of first pari passu charge over fixed assets of the Company amounting to Rs. 1,113.84 million.

## 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

Represent finance leases entered into with commercial banks for vehicles. Lease rentals are payable in equal monthly installments latest by 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 7.73 to 11.93 (2015: 8.59 to 11.93) percent per annum has been used as discounting factor. Purchase options can be exercised by the lessee in accordance with the respective lease agreements. The movement in the finance lease liability is as follows:

	2016		2015	
	Minimum lease Payments	Present Value	Minimum lease Payments	Present Value
	----- (Rupees) -----			
Within one year	17,374,064	15,128,895	17,308,225	14,866,318
After one year but not more than five years	23,147,926	21,210,474	20,668,480	18,396,667
Total minimum lease payments	40,521,990	36,339,369	37,976,705	33,262,985
Less: Amount representing finance charges	4,182,621	-	4,713,720	-
Present value of minimum lease payments	36,339,369	36,339,369	33,262,985	33,262,985
Less: Current maturity shown under current liability	15,128,895	15,128,895	14,866,318	14,866,318
	<u>21,210,474</u>	<u>21,210,474</u>	<u>18,396,667</u>	<u>18,396,667</u>

## 20. MARKET COMMITTEE FEE PAYABLE

	Note	2016 Rupees	2015 Rupees
Market committee fee payable		74,091,908	28,340,000
Less: Current portion		3,757,652	2,180,000
	26.1	<u>70,334,256</u>	<u>26,160,000</u>

## 21. DEFERRED LIABILITY

Staff gratuity		<u>4,646,722</u>	<u>9,414,422</u>
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### (a) Staff gratuity

Opening balance		9,414,422	8,004,115
Expense for the year		804,636	1,500,861
Benefits paid during the year		(1,431,302)	(758,195)
Actuarial (gain) / loss		(4,141,034)	667,641
Closing balance		<u>4,646,722</u>	<u>9,414,422</u>

### (b) Expense for the year

Current service cost		-	623,984
Interest cost		804,636	876,877
		<u>804,636</u>	<u>1,500,861</u>

### (c) Principal actuarial assumptions

Discount rate		<u>7.25%</u>	<u>9.25%</u>
Expected rate of increase in salary level		<u>7.25%</u>	<u>9.25%</u>
Expected average remaining life of employees		<u>2 years</u>	<u>22 years</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

	2016	2015	2014	2013	2012
	----- (Rupees) -----				
(d) Comparisons for five years					
Present value of defined benefit obligation	<u>4,646,722</u>	<u>9,414,422</u>	<u>8,004,115</u>	<u>7,564,191</u>	<u>6,438,840</u>

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

	2016			
	Discount rate + 100 bps	Discount rate - 100 bps	Salary increase + 100 bps	Salary increase - 100 bps
	----- (Rupees) -----			
Present value of defined benefit obligation	<u>4,400,162</u>	<u>4,925,335</u>	<u>4,942,171</u>	<u>4,380,762</u>

## 22. DEFERRED TAXATION

### Credit balances arising due to:

	Note	2016 Rupees	2015 Rupees
Accelerated tax depreciation		257,135,287	265,864,276
Assets subject to finance leases		7,072,927	5,403,239
Investment in associates		64,371,017	52,721,136
Unrealised gain on available for sale investments		14,184,323	3,457,341
		<u>342,763,554</u>	<u>327,445,992</u>

### Debit balances arising due to:

Provisions		(20,013,843)	(22,873,763)
Carryover of alternative corporate tax / minimum tax		-	(15,210,189)
Others		(106,200)	(113,280)
		<u>(20,120,043)</u>	<u>(38,197,232)</u>
		<u>322,643,511</u>	<u>289,248,760</u>

## 23. PROVISION FOR QUALITY PREMIUM

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

23.1	<u>119,290,919</u>	<u>119,290,919</u>
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# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>24. TRADE AND OTHER PAYABLES</b>			
Creditors		90,862,262	47,052,566
Accrued expenses		356,331,765	245,696,848
Advances from customers		555,696,726	1,359,942,732
Payable to provident fund		2,085,622	2,037,659
Workers' Profits Participation Fund	24.1	25,970,549	18,124,594
Workers' Welfare Fund		27,555,420	36,781,789
Unclaimed dividend		23,851,012	44,782,759
Deposits from employees against purchase of vehicles		14,582,760	10,527,227
Others		16,197,922	7,993,387
		<u>1,113,134,038</u>	<u>1,772,939,561</u>

## 24.1 Workers' Profits Participation Fund

Opening balance	18,124,594	8,467,229
Allocation for the year	25,970,549	18,124,594
	<u>44,095,143</u>	<u>26,591,823</u>
Payments made during the year	(18,124,594)	(8,467,229)
Closing balance	<u>25,970,549</u>	<u>18,124,594</u>

## 25. SHORT-TERM BORROWINGS

The aggregate facilities for short term running finance available from various banks amounted to Rs. 525 million (2015: Rs. 500 million) of which Rs. 525 million (2015: Rs. 437.35 million) remained unutilized as of the balance sheet date.

	Note	2016 Rupees	2015 Rupees
<b>26. PROVISION FOR MARKET COMMITTEE FEE</b>	26.1	<u>9,406,263</u>	<u>47,329,553</u>

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

## 27. CONTINGENCIES AND COMMITMENTS

### 27.1 Contingencies

- (i) Contribution demanded by SESSI amounting to Rs. 3.28 million (2015: Rs. 3.28 million), for the period July 1987 to August 1990, had been disputed by the Company. The case is currently pending decision before the Court. The Company and its legal counsel are hopeful for a favorable outcome of the case and hence, no provision has been made against the above demand in these financial statements.
- (ii) DGDP's risk purchase claim amounting to Rs. 38.58 million (2015: Rs. 38.58 million), was disputed by the Company on the grounds that the goods were delivered in time, however, the DGDP failed to lift the goods thereby indulging

# Notes to the Financial Statements

For the year ended September 30, 2016

in breach of the contract. DGDP also withheld tender money paid by the Company amounting to Rs. 8.19 million (note 13.1) during the year 1995 and 1996. The Company has filed a counter claim of Rs. 25.81 million (2015: 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.

- (iii) The Company filed an appeal before the Court and was granted a stay against the order of Customs, Excise and Sales Tax Appellate Tribunal, Karachi, upholding allegation of non-payment of sales tax on advances etc., amounting to Rs. 11.087 (2015: Rs. 11.087) million. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (iv) The Company has filed an appeal before Customs, Excise and Sales Tax Appellate Tribunal, Karachi, which is pending for hearing, against the order of the Deputy Collector, Collectorate of Customs, Excise and Sales Tax (Adjudication), Hyderabad to pay off alleged demand of Rs.10.07 (2015: Rs. 10.07) million along with additional tax and penalty. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision has been made in these financial statements.
- (v) Pakistan Standards and Quality Control Authority (PSQCA) had demanded a fee payment at the rate of 0.1 percent of ex-factory price for the year 2008-09 amounting to Rs.2.2 million. The Company is of the view that demand notifications so raised are without any lawful authority under the PSQCA Act-VI of 1996 and are in violation of the constitution. Based on the advice of the legal advisor, the management is confident that it would not be liable to pay the said marking fee and hence no provision is made in these financial statements.
- (vi) During the year ended September 30, 2015, the Company has filed an appeal before the Commissioner Appeals against the order of the Deputy Commissioner Enforcement and Collection whereby sales tax liability along with penalty amounting to Rs.18 million has been established for claiming inadmissible input tax adjustment. Based on the advice of the tax advisor, the management is confident of a favorable outcome and hence, no provision is made in these financial statements.
- (vii) Contingency relating to long-term receivable is described in note 6.1 to the financial statements.

	2016 Rupees	2015 Rupees
<b>27.2 Commitments</b>		
Capital commitments	<u>52,356,908</u>	<u>60,729,814</u>
Commitments in respect of equity investments	<u>838,519,000</u>	<u>650,000,000</u>
Commitments in respect of operating lease rentals for farms	<u>1,181,250</u>	<u>12,676,815</u>
Commitments in respect of Ijarah rentals	<u>-</u>	<u>530,565</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>28. TURNOVER</b>			
Sales			
- Sugar – exports		-	613,725,752
- Sugar – local		7,291,399,447	3,693,249,510
- Molasses		340,676,061	304,222,747
- Bagasse		42,069,501	28,527,509
		<u>7,674,145,009</u>	<u>4,639,725,518</u>
Less:			
- Sales tax		95,079,666	5,457,625
- Federal excise duty		465,839,356	272,908,241
		<u>560,919,022</u>	<u>278,365,866</u>
		<u>7,113,225,987</u>	<u>4,361,359,652</u>
<b>29. COST OF SALES</b>			
<b>Manufactured sugar:</b>			
Cost of sugarcane consumed (including procurement and other expenses)		4,656,799,667	4,058,189,647
Market committee fee		9,406,263	9,468,708
Road cess on sugarcane		5,878,928	-
Salaries, wages and other benefits	29.1	192,318,384	181,530,125
Stores and spare parts consumed		211,477,549	210,974,055
Repairs and maintenance		71,012,490	51,564,613
Fuel, electricity and water charges		12,895,727	17,267,056
Vehicle running and maintenance expenses		3,535,906	5,275,524
Insurance		16,029,082	14,279,573
Depreciation	5.1.1	115,863,706	109,932,513
Other overheads		24,532,273	25,677,275
		<u>5,319,749,975</u>	<u>4,684,159,089</u>
Opening stock of work-in-process		2,922,740	3,004,859
Closing stock of work-in-process		(2,702,374)	(2,922,740)
		<u>220,366</u>	<u>82,119</u>
Cost of goods manufactured		<u>5,319,970,341</u>	<u>4,684,241,208</u>
Opening stock of finished goods		1,459,710,232	456,921,611
Closing stock of finished goods		(409,333,413)	(1,459,710,232)
		<u>1,050,376,819</u>	<u>(1,002,788,621)</u>
		<u>6,370,347,160</u>	<u>3,681,452,587</u>
<b>29.1</b> Include gratuity expense of Rs. 804,636 /- (2015: Rs. 1,500,861/-) and contribution to provident fund of Rs. 4,332,742/- (2015: Rs. 4,100,004/-).			

# Notes to the Financial Statements

For the year ended September 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>30. DISTRIBUTION COSTS</b>			
Salaries and other benefits	30.1	2,262,267	2,106,482
Sales promotion expenses		9,796,823	15,448,737
Selling expenses		12,488,069	10,946,511
Export expenses		-	72,088
Stacking and loading		12,312,882	11,895,664
Insurance		25,808	21,468
		<u>36,885,849</u>	<u>40,490,950</u>
<b>30.1</b> Include contribution to provident fund of Rs. 55,487 /- (2015: Rs. 49,755/-).			
<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	31.1	118,324,127	104,958,429
Rent, rates and taxes		317,392	284,000
Electricity, telephone, fax and postage		7,450,308	7,027,838
Printing and stationery		2,689,468	1,968,499
Travelling and conveyance		10,976,090	7,946,701
Vehicle running and maintenance expenses		9,815,006	7,642,369
Ijarah rentals		519,816	1,749,206
Auditors' remuneration	31.2	1,746,233	1,655,150
Legal and professional		4,701,100	3,147,291
Fees and subscription		2,183,219	1,686,697
Insurance		258,077	214,680
Repairs and maintenance		7,093,072	6,172,417
Advertising		735,078	1,041,150
Donations	31.3	8,671,850	6,693,400
Depreciation	5.1.1	21,547,121	20,212,803
Other expenses		409,968	979,430
		<u>197,437,925</u>	<u>173,380,060</u>
<b>31.1</b> Include contribution to provident fund of Rs. 4,439,713 /- (2015: Rs. 3,905,760/-).			
<b>31.2 Auditors' remuneration</b>			
	Note	2016 Rupees	2015 Rupees
<b>Statutory audit</b>			
EY Ford Rhodes			
Statutory audit fee		1,070,000	1,000,000
Review of half yearly financial statements and compliance with Code of Corporate Governance		437,000	405,000
Other services		-	40,000
Out of pocket expenses		86,166	71,000
		<u>1,593,166</u>	<u>1,516,000</u>
<b>Cost audit</b>			
Haroon Zakaria & Co.			
Cost audit fee		153,067	139,150
		<u>1,746,233</u>	<u>1,655,150</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

**31.3** Include Rs.6,000,000/- (2015: Rs. 6,500,000/-) and Rs. 2,500,000 (2015: nil/-) paid to Hasham Foundation and Usman Memorial Hospital Foundation respectively which are the projects of Hasham Group. Hasham Foundation include directors namely Mr. Mohammed Kasim Hasham, Mr. Mohammed Ebrahim Hasham, Mr. Mohammed Hussain Hasham, Mr. Khurram Kasim and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. Usman Memorial Hospital Foundation includes directors namely Mr. Mohammed Hussain Hasham and Mr. Ahmed Ebrahim Hasham who are the trustees of the said Foundation. No other directors or their spouses have any interest in any donee's fund to which donation was made in both foundations.

	Note	2016 Rupees	2015 Rupees
<b>32. OTHER EXPENSES</b>			
Workers' Profits Participation Fund	24.1	25,970,549	18,124,594
Workers' Welfare Fund		8,817,089	9,612,911
Loss on disposal of fixed assets		6,418,324	-
		<u>41,205,962</u>	<u>27,737,505</u>
<b>33. OTHER INCOME</b>			
Income from financial assets			
Dividend income		49,721,426	43,811,396
Gain on disposal of short term investments		54,528,036	74,342,251
Profit on term deposit receipts		3,529,152	1,229,371
Exchange gain		-	570,828
		<u>107,778,614</u>	<u>119,953,846</u>
Income from non-financial assets			
Farm income – net	33.1	12,596,761	18,869,490
Income from sale of electricity		39,474,843	20,756,364
Liabilities no longer payable written back		18,043,458	-
Scrap sales		5,131,765	-
Gain on disposal of fixed assets		-	1,596,235
		<u>75,246,827</u>	<u>41,222,089</u>
		<u>183,025,441</u>	<u>161,175,935</u>
<b>33.1 Farm income – net</b>			
Revenue from farms		50,606,896	60,248,454
Less: Fair value of harvested crop		(48,829,127)	(58,924,461)
Harvesting and other charges		(4,557,411)	(4,212,957)
		<u>(2,779,642)</u>	<u>(2,888,964)</u>
Change in fair value less cost to sell of standing crop		15,376,403	21,758,454
		<u>12,596,761</u>	<u>18,869,490</u>
<b>34. FINANCE COSTS</b>			
Markup / interest on:			
Long-term financing		40,731,996	51,096,205
Short-term borrowings		52,462,507	88,941,599
Lease finance		3,399,228	4,205,364
Workers' Profits Participation Fund		352,256	-
		<u>96,945,987</u>	<u>144,243,168</u>
Bank charges		1,680,414	2,323,294
		<u>98,626,401</u>	<u>146,566,462</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

	2016 Rupees	2015 Rupees
<b>35. TAXATION</b>		
Current	102,913,524	47,747,617
Prior	618,508	17,924,620
	<u>103,532,032</u>	<u>65,672,237</u>
Deferred	22,667,770	51,170,123
	<u>126,199,802</u>	<u>116,842,360</u>
<b>35.1 Reconciliation between tax expense and accounting profit</b>	2016 Rupees	
Accounting profit before taxation	<u>668,006,756</u>	
Tax at applicable rate of 31%	207,082,094	
Tax effects of:		
- expenses not deductible for tax purpose	(6,569,536)	
- income charged at different rates	(44,154,149)	
- income exempt from tax	(3,904,996)	
- tax credits	(18,863,072)	
- tax rate adjustment	(8,009,047)	
- prior year tax charge	618,508	
	<u>126,199,802</u>	
<b>35.5.1</b> As the Company was subject to Alternative Corporate Tax (ACT) for the previous year, therefore, no numerical tax reconciliation was prepared.		
<b>35.2</b> Income tax assessments of the Company have been completed upto the tax year 2016 (accounting year ended September 30, 2015).		
<b>36. BASIC AND DILUTED EARNING PER SHARE</b>		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
	2016	2015
Profit after taxation attributable to ordinary shares (Rupees)	<u>541,806,954</u>	<u>430,034,273</u>
Weighted average number of ordinary shares	<u>32,031,245</u>	<u>32,031,245</u>
Earnings per share (Rupees)	<u>16.91</u>	<u>13.43</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

## 37. WORKING CAPITAL CHANGES

	2016 Rupees	2015 Rupees
(Increase) / decrease in current assets		
Biological assets	4,980,884	10,095,334
Stores and spare parts	23,654,118	(33,686,360)
Stock-in-trade	1,050,597,185	(1,002,706,502)
Trade debts	31,537,091	774,325
Loans and advances	29,130,189	(103,010,818)
Trade deposits and short-term prepayments	3,298,664	18,468,727
Other receivables	3,117,748	(2,137,136)
	<u>1,146,315,879</u>	<u>(1,112,202,430)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(638,873,776)	1,452,071,762
Market committee fee payable	-	(4,360,000)
Sales tax and federal excise duty payable	(88,494,869)	37,222,438
	<u>(727,368,645)</u>	<u>1,484,934,200</u>
	<u>418,947,234</u>	<u>372,731,770</u>

## 38. TRANSACTIONS WITH RELATED PARTIES

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

	2016 Rupees	2015 Rupees
<b>Associates</b>		
Investment made during the year	19,999,980	-
Dividend received during the year	23,059,573	-
Sales	354,168,998	318,663,619
Expenses shared	1,092,785	983,057
Insurance premium	-	17,146,767
Donations	8,500,000	6,500,000
<b>Retirement benefit plans</b>		
Provident fund contribution	8,827,942	8,055,519

## 39. CAPACITY AND PRODUCTION

	Rated capacity		Capacity utilisation	
	M. Tons	Days	M. Tons	Days
Season 2015-2016	11,500 TCD	105	8,958 TCD	108
Season 2014-2015	11,000 TCD	105	8,767 TCD	108

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

# Notes to the Financial Statements

For the year ended September 30, 2016

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

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

	2016					2015				
	Chief Executive	Executive Director	Non-Executive Directors	Executives	Total	Chief Executive	Executive Director	Non-Executive Directors	Executives	Total
	Rupees									
Fees	-	-	395,000	-	395,000	-	-	120,000	-	120,000
Managerial remuneration	6,540,000	5,340,000	-	29,994,012	41,874,012	5,640,000	4,500,000	-	25,822,590	35,962,590
Retirement benefits	654,000	534,000	-	2,898,549	4,086,549	-	-	-	2,526,529	2,526,529
Perquisites and other benefits	6,040,000	4,940,000	-	27,519,142	38,499,142	5,200,000	4,150,000	-	24,566,395	33,916,395
	<u>13,234,000</u>	<u>10,814,000</u>	<u>395,000</u>	<u>60,411,703</u>	<u>84,854,703</u>	<u>10,840,000</u>	<u>8,650,000</u>	<u>120,000</u>	<u>52,915,514</u>	<u>72,525,514</u>
Number of persons	1	1	6	26	34	1	1	6	22	30

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

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 41.1 Credit risk

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

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

	2016 Rupees	2015 Rupees
Long term deposits	853,170	1,055,400
Trade debts	10,559,935	42,097,026
Investments	3,300,000	3,300,000
Loans and advances	108,221,611	137,351,800
Deposits	398,640	358,640
Other receivables	3,717,367	6,835,115
Bank balances	34,422,616	45,485,655
	<u>161,473,339</u>	<u>236,483,636</u>

# Notes to the Financial Statements

For the year ended September 30, 2016

## 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:

		2016 Rupees	2015 Rupees
<b>41.1.1 Trade debts</b>			
Customers with no defaults in the past one year		-	-
<b>41.1.2 Bank balances</b>			
With external credit rating			
A1+	PACRA	25,350,068	6,863,331
A-1+	JCR – VIS	118,910	7,551,954
A1	PACRA	8,953,638	31,070,370
		<u>34,422,616</u>	<u>45,485,655</u>

## 41.2 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
----- Amount in Rupees -----					
Long-term financing	-	39,715,059	128,001,150	304,848,460	472,564,669
Liabilities against assets subject to finance lease	-	3,782,224	11,346,671	21,210,474	36,339,369
Trade and other payables	587,731,559	217,150,927	240,142,823	14,582,760	1,059,608,069
Accrued markup	-	8,841,589	-	-	8,841,589
Short term borrowings	-	-	-	-	-
<b>2016</b>	<u>587,731,559</u>	<u>269,489,799</u>	<u>379,490,644</u>	<u>340,641,694</u>	<u>1,577,353,696</u>
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
----- Amount in Rupees -----					
Long-term financing	-	33,670,376	117,349,828	273,232,712	424,252,916
Liabilities against assets subject to finance lease	-	2,490,159	12,376,159	18,396,667	33,262,985
Trade and other payables	1,405,096,956	59,698,990	240,854,232	10,527,227	1,716,177,405
Accrued markup	-	11,525,019	-	-	11,525,019
Short term borrowings	-	62,653,321	128,235,450	-	190,888,771
<b>2015</b>	<u>1,405,096,956</u>	<u>170,037,865</u>	<u>498,815,669</u>	<u>302,156,606</u>	<u>2,376,107,096</u>

## 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.

# Notes to the Financial Statements

For the year ended September 30, 2016

## 41.3.1 Interest rate risk

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

## 41.3.2 Equity price risk

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

## 41.3.3 Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As of the balance sheet date, the Company is not exposed to any such risk.

## 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 16.96% (2015: 26.31%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

## 43. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

# Notes to the Financial Statements

For the year ended September 30, 2016

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

#### 44. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on December 21, 2016 by the Board of Directors of the Company.

#### 45. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

45.1 The Board of Directors in its meeting held on December 21, 2016 has recommended a final cash dividend on ordinary shares @ 22.5%. 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 31, 2017.

45.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not be applied in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed / approved cash dividend amounting to Rs. 208,203,906 million for the financial year 2016 and tax year 2017 which exceeds the prescribed minimum dividend requirement as referred above. Accordingly, the Company would not be liable to pay tax on its undistributed reserves as of 30 September 2016.

#### 46. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 605 (2015: 555) and the average number of persons employed during the year were 580 (2015: 562).

#### 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, 2016

Number of Shareholders	Shareholdings		Total Number of Shares held
	From	To	
895	1	-	15,892
249	101	-	61,613
73	501	-	56,312
121	1,001	-	286,434
54	5,001	-	405,144
12	10,001	-	154,679
9	15,001	-	155,388
11	20,001	-	241,818
9	25,001	-	302,604
7	40,001	-	340,424
1	60,001	-	65,733
1	70,001	-	70,110
1	80,001	-	84,185
2	85,001	-	177,480
4	90,001	-	382,039
1	100,001	-	102,003
1	120,001	-	124,850
1	150,001	-	150,116
1	180,001	-	180,538
1	185,001	-	187,264
1	190,001	-	193,133
1	195,001	-	200,000
1	215,001	-	219,862
1	250,001	-	253,000
2	265,001	-	551,811
3	320,001	-	982,745
1	340,001	-	391,565
1	425,001	-	425,134
4	440,001	-	2,186,176
2	815,001	-	4,156,927
1	3,380,001	-	3,381,038
2	4,780,001	-	9,910,524
1	5,630,001	-	5,634,704
<b>1,475</b>	<b>Total</b>		<b>32,031,245</b>

Shareholders's Category	Number of Shareholders	Number of Shares held	Percentage
Individuals	1,446	30,710,443	95.88%
Joint Stock Companies	19	930,524	2.91%
Insurance Companies	2	322,992	1.01%
Financial Institutions	4	3,746	0.01%
Others	4	63,540	0.20%
	<b>1,475</b>	<b>32,031,245</b>	

# Additional Information

as at September 30, 2016

Categories	Number of Shareholders	Shares held
<b>a) Associated undertaking and related parties</b>		
Pakistan Molasses Company (Pvt) Ltd.	1	14,597
F & B Bulk Storage (Pvt) Ltd.	1	70,110
Bulk Management Pakistan (Pvt) Ltd.	1	391,565
Shakoo (Pvt) Ltd.	1	11,589
	<b>4</b>	<b>487,861</b>
<b>b) NIT &amp; ICP</b>		
Investment Corporation of Pakistan	1	1,082
IDBL (ICP UNIT)	1	639
	<b>2</b>	<b>1,721</b>
<b>c) Directors / CEO and their spouse and minor children</b>		
Mr. Mohammed Kasim Hasham	1	5,634,704
Mr. Mohammed Ebrahim Hasham	1	4,782,225
Mr. Mohammed Hussain Hasham	1	5,128,299
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham	1	3,337,623
Mr. Muhammad Iqbal	1	8,134
Mr. Dr. Amjad Waheed	1	3,162
Mr. Muhammad Basheer	1	24,035
Mrs. Kulsoom Kasim	1	472,400
Mrs. Khursheed Ebrahim	1	819,304
Mrs. Mary Hussain	1	825,090
Mrs. Anushey A. Hasham	1	100,000
	<b>12</b>	<b>24,516,014</b>
<b>d) Executives</b>		
Muhammad Hanif Aziz (Company Secretary)	2	19,159
<b>e) Public Sectors Companies and Corporations</b>		
State Life Insurance Corp. of Pakistan	1	322,957
<b>f) Bank, DFIs, NBFIs, Insurance Companies, Mudarbas &amp; Mutual Funds</b>		
State Life Insurance Corp. of Pakistan	1	322,957
Maple Leaf Capital Ltd.	1	1
Habib Bank Ltd.	1	1,772
IDBL (ICP Unit)	1	1,082
Investment Corporation of Pakistan	1	639
Muslim Commercial Bank Ltd.	1	253
EFU General Insurance Ltd.	1	35
	<b>7</b>	<b>326,739</b>
<b>g) General Public</b>		
Physical	876	1,466,613
CDC	599	30,564,632
	<b>1475</b>	<b>32,031,245</b>
<b>g) Shareholders holding 5% or more voting interest</b>		
Mr. Mohammed Kasim Hasham & Mrs. Kulsoom Kasim	2	6,107,104
Mr. Mohammed Ebrahim Hasham & Mrs. Khursheed Ebrahim	2	5,601,529
Mr. Mohammed Hussain Hasham & Mrs. Mary Hussain	2	5,953,389
Mr. Khurram Kasim	1	3,381,038
Mr. Ahmed Ebrahim Hasham & Mrs. Anushey A. Hasham	2	3,437,623
	<b>9</b>	<b>24,480,683</b>

## PROXY FORM

### 51<sup>st</sup> Annual General Meeting

I / We \_\_\_\_\_  
of \_\_\_\_\_ being member of Mehran Sugar Mills Limited,  
holding \_\_\_\_\_ ordinary shares hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ or failing  
him / her \_\_\_\_\_  
of \_\_\_\_\_ whois/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 51<sup>st</sup> Annual General Meeting of the  
Company to be held on January 31, 2017 at 1600 PST and at any adjournment thereof.

As witness my our hand seal this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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 Share registrar Office of Company M/s C&K Management Associates (Pvt.) Ltd., 404 Trade Tower, Abdullah Haroon Road, Near Metropole Hotel 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.

# پراکسی فارم

51 ویں سالانہ جنرل میٹنگ

مہراں شوگر ملز لمیٹڈ

میں / ہم: \_\_\_\_\_ ولدیت: \_\_\_\_\_ مہراں شوگر ملز لمیٹڈ

(فون نمبر / سی ڈی سی / اکاؤنٹ نمبر / شیئرز کا شمار بذریعہ ہذا تقرر کرتا ہوں۔

ولدیت: \_\_\_\_\_ فون نمبر / سی ڈی سی / اکاؤنٹ نمبر: \_\_\_\_\_ یا اس کی ناکامی

میں \_\_\_\_\_ ولدیت: \_\_\_\_\_

فون نمبر / سی ڈی سی / اکاؤنٹ نمبر \_\_\_\_\_

جو کہ میری / ہماری غیر موجودگی میں میرے / ہمارے پراکسی (نمائندے) کے طور پر کمپنی کی 51 ویں سالانہ جنرل میٹنگ 31 دسمبر 2017 بروز منگل دن 04:00 بمقام انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس کراچی والی میٹنگ میں شرکت کریگا اور میری / ہماری جگہ ووٹ استعمال کرے گا۔

ریونیو  
مہر

میں بطور گواہ اس \_\_\_\_\_ دن \_\_\_\_\_ 2017

دستخط منظور کنندہ: \_\_\_\_\_

دستخط کمپنی کے پاس موجود نمونہ

کے دستخط کے مطابق ہونا چاہئے

\_\_\_\_\_

\_\_\_\_\_ گواہان:

\_\_\_\_\_ -2

\_\_\_\_\_ -1 دستخط

\_\_\_\_\_ نام

\_\_\_\_\_ نام

\_\_\_\_\_ پتہ

\_\_\_\_\_ پتہ

شناختی کارڈ / پاسپورٹ نمبر

شناختی کارڈ / پاسپورٹ نمبر

خصوصی ہدایات:

1- یہ پراکسی فارم باقاعدہ طور پر مکمل کر کے، دستخط اور مہر کے بعد میٹنگ کے انعقاد سے کم از کم 48 گھنٹے سے پہلے کمپنی کے شیئرز رجسٹرار کے دفتر سی اینڈ کے

مینجمنٹ ایسوسی ایٹس (پرائیویٹ) لمیٹڈ 404، ٹریڈ ٹاور، عبداللہ ہارون روڈ، نزد میٹروپول ہٹل کراچی پہنچ جانے چاہئیں۔

2- اگر ایک ممبر ایک سے زائد پراکسی (نامزدگی) یا پراکسی (نامزدگی) کے آلات مقرر کر کے کمپنی کے پاس جمع کرواتا ہے تو ایسے تمام پراکسی (نامزدگی) کے

آلات کو غیر قانونی تصور کیا جائے گا۔

3- سی ڈی سی / شیئرز ہولڈرز اپنی پراکسی (نمائندہ) مقرر کرنے کا مجاز ہے۔ اس پراکسی (نمائندہ) کو میٹنگ میں شرکت کے وقت اپنی اصلی کمپیوٹرائزڈ قومی شناختی

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